DS-355

MAY 1975

DAIRY Situation

ECONOMIC RESEARCH SERVICE

U.S. DEPARTMENT OF AGRICULTURE

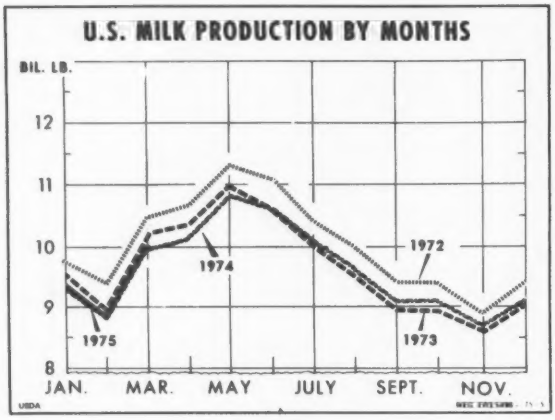

Figure 1

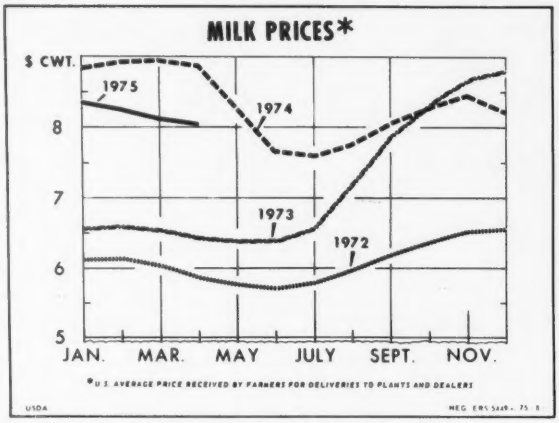

Figure 2

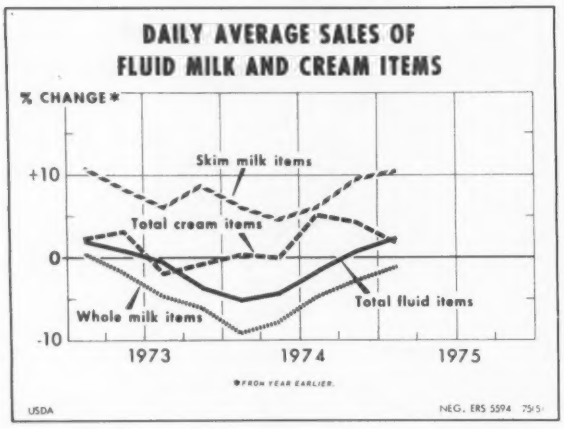

Figure 3

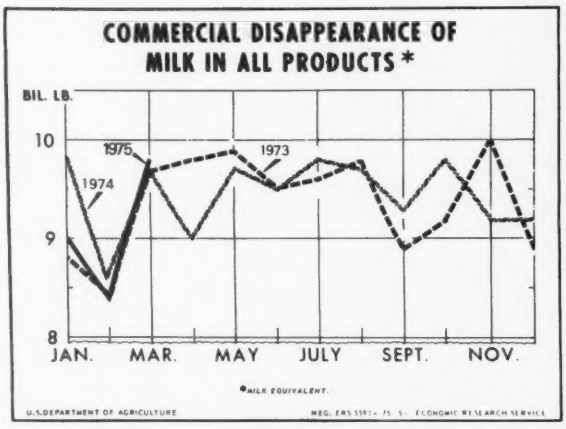

Figure 4

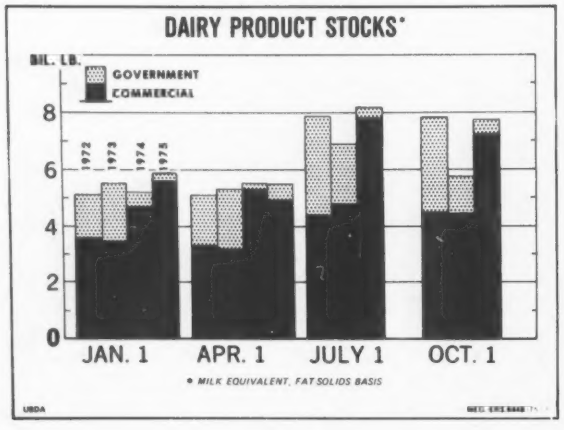

Figure 5

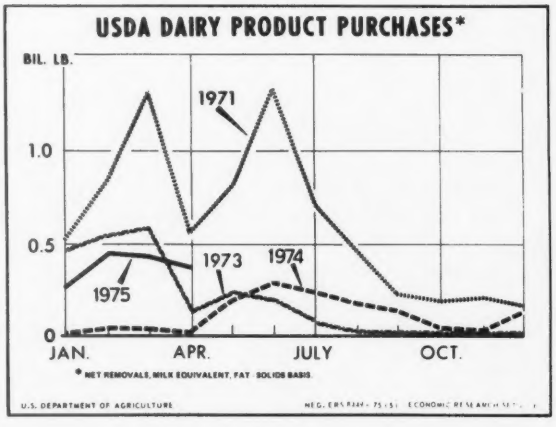

Figure 6

In This Issue

	Page
Milk Production Gains Slightly . . . . . Milk cows decline slowly . . . Feeding still down . . . Output per cow up only a little	5
Output Up 1% in 1975 . . . . . Slaughter cow prices to stay low . . . Culling to be discouraged . . . More normal gains in milk per cow likely . . . Potential for strong output gains in second half	6
Milk Prices Drop Seasonally . . . . . Support purchase prices raised . . . Wholesale prices at supports . . . Prices at retail steady	11
More Milk in Butter-Nonfat Dry Milk . . . . . American cheese output down	18
Dairy Sales Drop . . . . . Cheese and nonfat dry milk sales down . . . Butter use encouraged . . . Fluid sales recovering . . . Dairy product donations off	18
USDA Buying Heavily . . . . . Purchases to stay strong in flush	23
Commercial Stocks Remain Large . . . . . Stocks down seasonally . . . CCC nonfat dry milk holdings still rising	27
Dairy Imports Steady . . . . . Agreement reached on EC cheese imports . . . Exports small . . . Nonfat dry milk programmed for foreign aid . . . World stocks of powdered milk building	29
List of Tables	35-36

Principal contributors:
Robert R. Miller
James J. Miller

Economic Research Service
U.S. Department of Agriculture
Washington, D.C. 20250

SUMMARY

The decline from a year ago in milk cow numbers continues at less than 1 percent, the lowest rate since the mid-1950's. Low slaughter cow prices will likely discourage herd culling throughout 1975, and the continued lack of off-farm employment opportunities may keep more dairy farmers in business. Coupled with large numbers of herd replacements on hand, this would likely limit the drop in milk cow numbers in 1975.

Production later this year will depend largely on prices for feed and milk, as well as on the slaughter cattle market and the general economic situation. If large feed grain and soybean crops materialize this year and feed prices moderate, feeding rates could pick up, bringing more normal gains in output per cow. Under these conditions, we could see strong gains in milk production later on this year.

On the other hand, another disastrous crop like last year's would mean continued high feed prices and forestall an increase in milk production during the second half.

For all of 1975, milk production is likely to total around 1 billion pounds above 1974's 115.4 billion pounds. Under the most favorable conditions output could go even higher.

Milk production was slightly above year-earlier levels in March. Farmers have cut back grain and concentrate feeding, thus limiting gains in output per cow. These small gains just barely offset the relatively small decline in milk cow numbers.

Grade A milk marketings in 1974 totaled 86 billion pounds, 78 percent of all milk sold to plants by farmers. Although increasing steadily over the years, Grade A marketings have gained more slowly since 1971 when 76 percent of the milk was Grade A. On the other hand, Grade B marketings declined as dairy farmers continued to convert to Grade A production or left dairying.

The *Dairy Situation* is published in March, May, July, September, and December

Effective April 1, USDA raised the support purchase prices for American cheese by 2 cents to 79.25 cents per pound and for butter by 1.25 cents to 70.75 cents per pound at New York. Nonfat dry milk prices were left at 60.6 cents per pound. This was done to provide greater assurance that the annual average farm price of manufacturing milk will equal the previously announced support price of $7.24 per 100 pounds in the 1975/76 marketing year.

Farm prices of milk have shown near average seasonal drops since the beginning of the year and, at $8.05 per 100 pounds in April, were 9 percent below a year ago. Manufacturing milk prices have held about steady since January with wholesale dairy prices close to CCC support purchase prices. Farm milk prices are likely to show only small seasonal drops through the flush production season but could be above a year ago by early summer.

Cash receipts from dairying were down in the first quarter this year following declines in milk prices. Some recovery may occur later but 1975 gains in cash receipts will be much smaller than 1974's 16 percent rise to $9.4 billion. Production costs eased slightly in the first quarter but rose again in April. Farmers will still face high costs for most inputs through 1975.

Wholesale prices of butter and cheese rose in early April, reflecting the boost in CCC purchase prices. Market prices are likely to remain near purchase prices for the next few months.

Prices of milk and dairy products at the retail level held steady between last December and March of this year. Prices were up only about 3 percent from March 1974, while retail prices of all foods rose 8 percent. Retail dairy prices may show only moderate increases in coming months.

Milk continued to be diverted in early 1975 to butter and nonfat dry milk from American cheese. Butter output was up a fourth in the first quarter and a third more nonfat dry milk was being produced. At the same time, a fifth less milk was moving into American cheese.

Commercial disappearance of milk in all dairy products during the first quarter dropped below a year ago but was still above the same months of 1973. Cheese sales have tapered off and nonfat dry milk use stays weak. However, favorable price relationships have encouraged consumers to use more butter, and fluid milk sales are recovering. We may see some growth in retail dairy sales this summer with rather stable retail dairy prices expected. However, demand could be weakened by the recession gripping the economy with its high unemployment rates and lower consumer purchasing power.

Per capita civilian milk consumption may drop slightly this year but probably less than 1974's 2-percent decline to 543 pounds. After declining appreciably in 1974, USDA donations could run higher this year.

USDA removals of dairy products under the dairy support program were heavy early in 1975. Purchases of butter, cheese, and nonfat dry milk are all likely to remain sizeable in coming months.

Commercial dairy product stocks on April 1 came to 5.0 billion pounds milk equivalent. Although down 7 percent from a year ago, commercial holdings were still the second highest on record. American cheese stocks in commercial hands have dropped seasonally but were still at a record high for April 1. Nonfat dry milk stocks have also been building substantially. Government stocks of butter and cheese are relatively small but CCC uncommitted stocks of nonfat dry milk have risen sharply, reaching 287 million pounds by April 30.

Dairy imports have continued steady in recent months at normal rates. First quarter imports were equivalent to 0.3 billion pounds, down from 1.4 billion a year ago when the Cheddar cheese import quota was temporarily increased. Exports of most dairy products remain small, but sizeable quantities of CCC-owned nonfat dry milk have been programmed for export under foreign aid programs.

DAIRY SITUATION

SITUATION AND OUTLOOK

PRODUCTION

Milk Production Up a Little

Milk output has been holding just above year-earlier levels so far this year, with March showing an increase of 0.4 percent. Production has now been up for 10 successive months, but gains have slowed since the 3 percent rise of last September. During the marketing year ending this March, milk production hit 115.5 billion pounds, up around 1 percent from 1973/74.

Milk output per cow in March was up about 1 percent from a year ago, still considerably below the long term year-to-year average rise. Farmers have cut back feeding grain and concentrates in response to the generally unfavorable milk-feed price relationships of recent months. On April 1, dairy farmers reported feeding 4½ percent less grain and concentrates per milk cow than a year earlier.

After increasing during the second half of 1974, milk cow numbers have again been on the decline since the beginning of the year. However, compared with a year earlier, milk cow numbers continue to drop by less than 1 percent, the smallest year-to-year decrease since the mid-1950's. Culling continues to be discouraged by low slaughter cow prices. Also, the lack of off-farm and farm employment opportunities has likely kept more dairy farmers in business than might have occurred otherwise.

Milk production in March increased in most of the major dairy States, with only Minnesota registering lower output. Wisconsin, New York, and Pennsylvania reported 2- to 3-percent increases over March of last year.

First quarter 1975 production came to 28.1 billion pounds, up slightly from a year earlier but still 2 percent below the comparable months of 1973 (table 1). Milk production rose about 3 percent from a year ago in the Northeast States and was up slightly on the West Coast. Largest declines were centered in the Northern Plains. Milk cow numbers in March rose from a year earlier in the Mountain and Northeast regions, but were down in all other areas.

1975 Output Larger

These are the major factors that will be affecting milk production during the rest of this year:

(1) Feed prices have dropped in recent months, causing some improvement in milk-feed price relationships. Some further improvement in milk-feed price ratios expected later this year could encourage dairy farmers to again increase grain and concentrate feeding to their milk cows.

(2) Herd replacements are in large supply, running almost 37 per 100 cows at the beginning of the year.

(3) Slaughter cow prices may strengthen further through the spring before dropping back during the second half of 1975. Utility cows at Omaha in early May were running about $22 per 100 pounds, up from January's $17 lows. Prices

Table 1— Regional milk production and cow numbers, 1974-75

Region	January-March milk production			March milk cows on farms		
	1974	1975	Change	1974	1975	Change
	Million pounds	*Million pounds*	*Percent*	*Thousand*	*Thousand*	*Percent*
Northeast	5,572	5,726	+2.8	2,183	2,206	+1.1
Lake States	8,170	8,129	-.5	3,110	3,106	-.1
Corn Belt	3,808	3,802	-.2	1,615	1,587	-1.7
Northern Plains	1,351	1,246	-7.8	600	581	-3.2
Appalachian	1,806	1,863	+3.2	871	856	-1.7
Southeast	1,104	1,107	+.3	488	474	-2.9
Delta States	655	655	0	361	251	-2.8
Southern Plains	1,083	1,073	-.9	475	471	-.8
Mountain	1,193	1,193	0	449	458	†2.0
Pacific	3,260	3,265	+.2	1,074	1,071	-.3
United States	28,040	28,099	+.2	11,241	11,176	-.6

could advance to the mid-$20's by early summer. However, large slaughter supplies are in prospect for the second half which could cause slaughter cow prices to tail off again. How much cow prices settle back later this year will depend largely on pasture conditions and prospects for the new grain crops.

(4) The value of dairy cows has dropped about a fourth during the past year to an average of $396 per head in April.

(5) Farm milk prices have shown about average seasonal drops in recent months but remain well below year-earlier levels. Manufacturing milk prices likely will hold close to support levels in the next few months, after which some seasonal strength may occur.

(6) The U.S. economy remains in its deepest postwar recession. The unemployment rate reached 8.9 percent in April and is likely to remain high in coming months. This means limited off-farm employment opportunities for dairy farmers and dairy labor.

(7) After a rather bleak year, the supply situation for most agricultural inputs is improving. Although the surge in input prices has abated somewhat, farmers will still face high costs for most inputs through 1975. The index of prices paid by farmers declined in the first quarter, the first month-to-month drops since mid-1973, before rising again in April.

Under these conditions, milk production may continue to show small gains from a year ago over the next few months. Farmers have cut back on feeding grain and concentrates, and it will take further improvement in milk-feed price relationships to encourage heavier feeding rates. On the other hand, the drop in cow numbers will probably stay small. Some further rise in slaughter cow prices could encourage a little more culling, but this may be offset by the large number of replacement cows coming into herds and the lack of viable economic alternatives for dairymen.

Output later this year will depend in large part on 1975 crop conditions and subsequent feed prices, on milk prices, on the slaughter cattle market, and on the nonfarm alternatives available to dairymen. Slaughter cow prices are likely to stay relatively low through 1975, and unemployment rates will probably remain high. These factors would be expected to limit incentives for herd culling, causing declines in cow numbers to be relatively small throughout this year.

With favorable weather, current planting intentions point to rather substantial increases in 1975 feed grain and soybean crops and moderating feed prices later on this year. Under this situation, we could see a resumption of increased feeding rates and more normal gains in output per cow. These conditions could provide the potential for some strong increases in milk production this fall and winter.

On the other hand, short crops of feed grains and soybeans again in 1975 would mean even higher grain and concentrate prices to dairy farmers, which could forestall any significant recovery in production later this year. The impact of high feed prices would be felt primarily on feeding rates and consequently on milk output per cow, although we could also see some increase in herd culling.

For all of 1975, milk output will likely run around 1 billion pounds above 1974's 115.4 billion pounds. Under the most favorable conditions, output could go even higher.

Feed Prices Drop Some More

Reflecting the decline in corn and soybean meal prices earlier this year, dairy ration prices continued to drop during the first quarter, before rising some in April. Nationally, farmers paid $134 per ton for 16-percent protein dairy rations in April, down from $148 in January, but still somewhat above year-earlier levels. However, dairy ration prices may not drop much further until the 1975 crop picture becomes clearer.

Soybean meal prices (44 percent protein) at Decatur have held fairly stable in the $110-$130 per ton range during the past 3 months. Meal was quoted at about $120 per ton in early May, down from $168 last October. The lower prices since last fall reflect the poor demand for soybean meal. Domestic use of soybean meal during the current feeding year (which started last October) is likely to be down 12 percent from the previous season. Unfavorable livestock-feed price relationships are a major factor behind the sharp cutback. Prices of meal over the rest of the marketing year may range around recent low levels, as use of soybean meal declines seasonally. However, prices will be sensitive to the 1975 soybean crop outlook, pasture conditions this spring and summer, and any significant change in livestock and poultry prices.

After dropping late last year and early in 1975, corn prices have also been quite stable since February. In early May, corn prices at Chicago were about $2.80 per bushel, down from the $3.50 to $3.75 averages of last fall. Continued sharp declines in domestic feed grain use have led to the drop in corn and other feed grain prices. Feed grain disappearance could be down by a fifth during the current marketing year. Feed grain prices could show substantial price fluctuations in coming months as supplies are used up. Price levels will also depend on the 1975 crop outlook as the season develops.

As of March 1, farmers planned to plant 122½ million acres to feed grains in 1975, nearly the same as last year, although corn acreage was expected to be down 3 percent. Farmers were planning to increase soybean acreage by 6 percent over 1974 levels to 56.6 million acres.

Given normal planting, growing, and harvesting conditions, this year's feed grain crop could total in the area of 205 to 229 million tons, up sharply from the short 165 million tons harvested in 1974. This assumes

corn yields between 88 and 98 bushels per harvested acre. If production falls within this range and livestock-feed price ratios favor feeding, domestic feed use in the 1975/76 season should make a substantial recovery. Foreign demand is likely to remain strong in 1975/76 since world stocks are relatively low and livestock production continues strong in most feed importing countries. With normal weather, soybean production should hit in the 1.4 to 1.5-billion bushel range, up sharply from 1974's 1.2-billion bushel crop. Soybean meal supplies should also be well above 1974/75 levels.

If larger supplies of feed grains and soybean meal materialize, dairy farmers should see feed prices later on this year generally under the levels of late 1974. This should help improve milk-feed price relationships during the second half of 1975.

However, should we again have unfavorable weather this year as in 1974, feed prices would show unusual strength right through the 1975/76 season. Supplies would continue very tight and projected carryout of grains by next September would likely be down to minimum pipeline levels.

With the drop in ration values, milk-feed price relationships have improved since last fall. In April, the milk-feed price ratio (pounds of feed equal in value to a pound of milk) was at 1.36, up from around 1.2 last fall, but still below year-earlier levels (figure 7). Milk-feed price relationships may hold near current levels in the next few months, but we could see some improvement later on if the larger projected grain crops materialize.

Milk-feed price ratio[1]

Month	1973	1974	1975
	Pounds	*Pounds*	*Pounds*
January	1.59	1.48	1.25
February	1.57	1.46	1.33
March	1.52	1.49	1.38
April	1.51	1.56	1.36
May	1.40	1.48	
June	1.26	1.37	
July	1.35	1.29	
August	1.27	1.11	
September	1.51	1.18	
October	1.57	1.18	
November	1.62	1.22	
December	1.59	1.20	
Average	1.48	1.34	

[1] Pounds of concentrate ration equal in value to 1 pound of milk.

Farmers plan to harvest a larger hay acreage in 1975 which, with a normal growing season, could yield a hay crop 5 to 10 percent above last year's low level. Hay use has been heavy this winter and hay prices continue strong. In April, farmers paid $67 per ton nationally for baled alfalfa hay, up 4 percent from a year earlier.

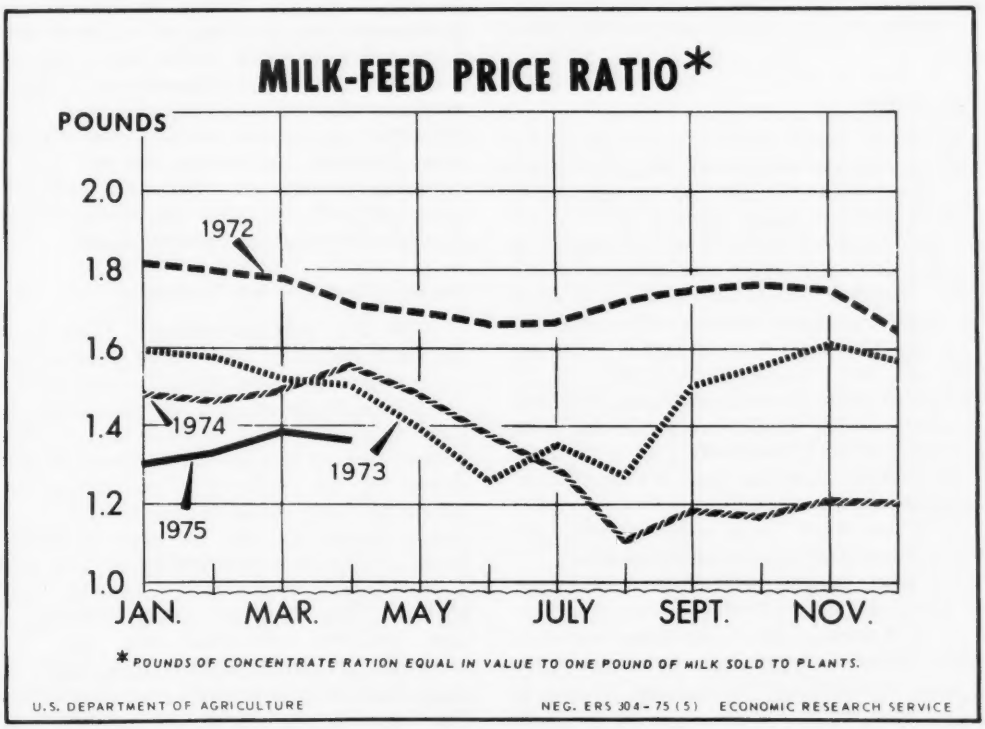

Figure 7

On April 1, pastures were generally in the poor to fair category. At 75 percent of normal, pasture feed conditions were 4 percentage points below a year ago and below the 1964-73 April 1 average. These data exclude northern dairy areas where cows were not yet on pasture. Below normal temperatures in April have continued to retard growth of pastures throughout much of the Nation. This has required supplemental feeding of livestock in some areas. Unless the weather warms up soon, we may see a late spring and a later than normal flush in milk production this year.

Farmers Selling More Milk This Year

Farmers will likely market somewhat more milk this year, mainly because of expected increases in output.

Milk and cream marketings totaled 112.1 billion pounds in 1974, about the same as in 1973 (table 2). Milk used on farms where produced continued to decline. Since there were fewer dairy farms, farm households used less home produced milk. However, milk fed to calves leveled off in 1974. Although milk replacers were used extensively for calf feeding, more calves were being raised for replacements. Farm use of milk last year was about 3 percent of production, compared with around 16 percent in 1950.

Whole milk sales to plants and dealers represented 98 percent of the total milk marketed from farms in 1974, as the quantity sold rose just slightly from the previous year. Farm sales directly to consumers also increased a little. Farm-separated cream sales continued downward and now account for only half of one percent of total marketings.

More Grade A Milk

Fluid grade milk (Grade A) production continued to increase last year relative to manufacturing grade (Grade B). About 78 percent of the milk that farmers sold to plants and dealers was eligible for the fluid market, compared with 76 percent in 1971 and 61 percent in 1950 (table 3). Dairy farmers are continuing to convert from Grade B to Grade A production. The proportion of Grade A milk increased rather slowly until the mid-1960's, but then gained more rapidly, although slowing the past few years. During the 1950's, many farmers previously selling farm-separated cream switched to whole milk, much of which came on the market as Grade B milk. This was particularly true in the West North Central region where the Grade A proportion of total shipments actually declined from 1950 to 1964. Since then it has risen. In all other regions, this proportion increased steadily in the past 2 decades.

Last year, dairy farmers marketed some 86 billion pounds of Grade A milk, up from 45 billion pounds in 1950 (figure 8). However, Grade A marketings have risen more slowly since 1971. On the other hand, after increasing from 1950 to 1964, the quantity of Grade B milk declined about 12 billion pounds to 24 billion in 1974. Grade B milk is most important in the West North Central States where it still represents about 56 percent of milk marketings.

About three-fifths of manufacturing grade milk output is concentrated in Wisconsin, Minnesota, and Iowa. Farmers in these three States produced 15 billion pounds of Grade B milk last year. But this represented a drop of about 3½ billion pounds in the past 5 years, while fluid grade deliveries increased some 3 billion pounds. The 10 leading States accounted for 86 percent of Grade B marketings last year.

Manufacturing grade milk marketed

State	1965	1969	1974
	Billion pounds	*Billion pounds*	*Billion pounds*
Wisconsin	10.3	8.5	7.1
Minnesota	8.2	6.9	5.7
Iowa	3.8	3.0	2.0
Missouri	1.5	1.2	1.1
South Dakota	1.0	1.1	1.1
Idaho	1.0	1.0	1.0
Nebraska	.7	.8	.8
California	.9	.8	.7
Kentucky	1.1	.8	.6
Illinois	1.2	.8	.6
United States	34.9	29.3	24.2

The trend to Grade A milk will continue, and eventually our entire commercial milk supply will become Grade A. The main factors encouraging producers to switch to Grade A milk production are the higher prices for Grade A milk than for manufacturing grade milk and the increasingly strict standards for producing manufacturing grade milk which has narrowed the differences between the two grades. This change will have important implications for the dairy industry including pricing and distributing returns among producers, and will affect the pricing of milk under Federal order and price support programs.

Regional Changes in Milk Production

While U.S. milk production in 1974 was about 1 percent lower than 5 years earlier, substantial variation occurred among regions (figure 9). From 1969 to 1974, the Pacific, Southeast, and Mountain States expanded their milk production substantially. California has moved ahead of New York and Minnesota and is now second only to Wisconsin in milk output. Increasing population and consumer incomes have expanded market demand for milk and dairy products in these regions, which has encouraged greater milk production.

Output held about steady in the Lake States from 1969 to 1974. Northeast output dropped, although some recovery was noted last year. Increasing urbanization and nearby alternative nonfarm employment have influenced milk production in the Northeast. However, these two regions continue to account for almost half of U.S. output.

Table 2.--Milk used and marketed by farmers, United States, specified years, 1960-74

Year	Milk used on farms where produced				Milk marketed by farmers				Total milk production on farms 1/
					Sold to plants and dealers				
	Fed to calves 1/	As fluid milk or cream	For farm-churned butter	Total 2/	As whole milk	As farm-skimmed cream	Sold directly to consumers 3/	Total 2/	
	Billion pounds								
1960	2.5	5.3	1.3	9.2	103.9	7.9	2.1	114.0	123.1
1961	2.4	4.8	1.1	8.4	108.4	6.9	2.1	117.3	125.7
1962	2.3	4.4	.9	7.7	110.7	5.9	2.0	118.6	126.3
1963	2.2	4.1	.7	7.1	111.2	5.1	1.9	118.1	125.2
1964	2.2	3.7	.6	6.5	114.2	4.4	1.9	120.5	127.0
1965	2.1	3.4	.5	6.0	112.7	3.7	1.8	118.2	124.2
1966	2.0	3.1	.4	5.5	109.7	3.0	1.7	114.4	119.9
1967	1.9	2.9	.3	4/ 5.2	109.4	2.4	1.8	113.6	118.7
1968	1.8	2.6	.2	4.7	108.8	2.0	1.8	112.6	117.2
1969	1.7	2.4	.2	4.3	108.5	1.6	1.7	111.8	116.1
1970	1.7	2.2	.1	4.0	110.0	1.2	1.7	113.0	117.0
1971	1.6	5/ 2.1	N.A.	3.7	112.2	1.0	1.6	114.8	118.5
1972	1.6	5/ 1.9	N.A.	3.6	114.0	.8	1.5	116.3	119.9
1973	1.6	5/ 1.8	N.A.	3.4	109.8	.7	1.5	112.0	115.4
1974 6/	1.6	5/ 1.8	N.A.	3.3	110.0	.6	1.5	112.1	115.4
	As a percentage of total milk production								
	Percent								
1960	2.0	4.3	1.1	7.4	84.4	6.4	1.7	92.6	100.0
1961	1.9	3.8	.9	6.7	86.2	5.5	1.7	93.3	100.0
1962	1.8	3.5	.7	6.1	87.6	4.7	1.6	93.9	100.0
1963	1.8	3.3	.6	5.7	88.8	4.1	1.5	94.3	100.0
1964	1.7	2.9	.5	5.1	89.9	3.5	1.5	94.9	100.0
1965	1.7	2.7	.4	4.8	90.7	3.0	1.4	95.2	100.0
1966	1.7	2.6	.3	4.6	91.5	2.5	1.4	95.4	100.0
1967	1.6	2.4	.3	4.4	92.2	2.0	1.5	95.7	100.0
1968	1.5	2.2	.2	4.0	92.8	1.7	1.5	96.1	100.0
1969	1.5	2.1	.2	3.7	93.5	1.4	1.5	96.3	100.0
1970	1.5	1.9	.1	3.4	94.0	1.0	1.5	96.6	100.0
1971	1.4	1.8	N.A.	3.1	94.7	.8	1.4	96.9	100.0
1972	1.3	1.6	N.A.	3.0	95.1	.7	1.3	97.0	100.0
1973	1.4	1.6	N.A.	2.9	95.1	.6	1.3	97.1	100.0
1974 6/	1.4	1.6	N.A.	2.9	95.3	.5	1.3	97.1	100.0

1/ Excludes milk sucked by calves. 2/ May not add due to rounding. 3/ By producers who sell only milk from their own herds. Also includes milk produced by institutional herds. 4/ Includes some milk used for other purposes on farms or not utilized. 5/ Includes farm-churned butter. 6/ Preliminary.

Table 3—Fluid grade milk as percent of all milk sold by farmers to plants and dealers, 1950-74[1]

Year	Atlantic		North Central		South Central	Western	United States
	North	South	West	East			
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
1950	97	83	37	44	62	59	61
1955	98	87	34	48	67	64	63
1960	99	90	31	55	73	74	67
1965	99	93	28	60	78	82	69
1966	99	94	28	61	80	84	69
1967	99	94	29	60	80	84	70
1968	99	94	31	62	81	84	70
1969	99	95	35	66	83	85	73
1970	99	96	38	68	84	85	74
1971	99	96	41	69	86	85	76
1972	99	96	43	71	86	85	77
1973	99	97	44	71	88	86	77
1974	99	98	44	72	89	88	78

[1] Percentage eligible for fluid use (Grade A in most States). Includes fluid grade milk used in manufactured products.

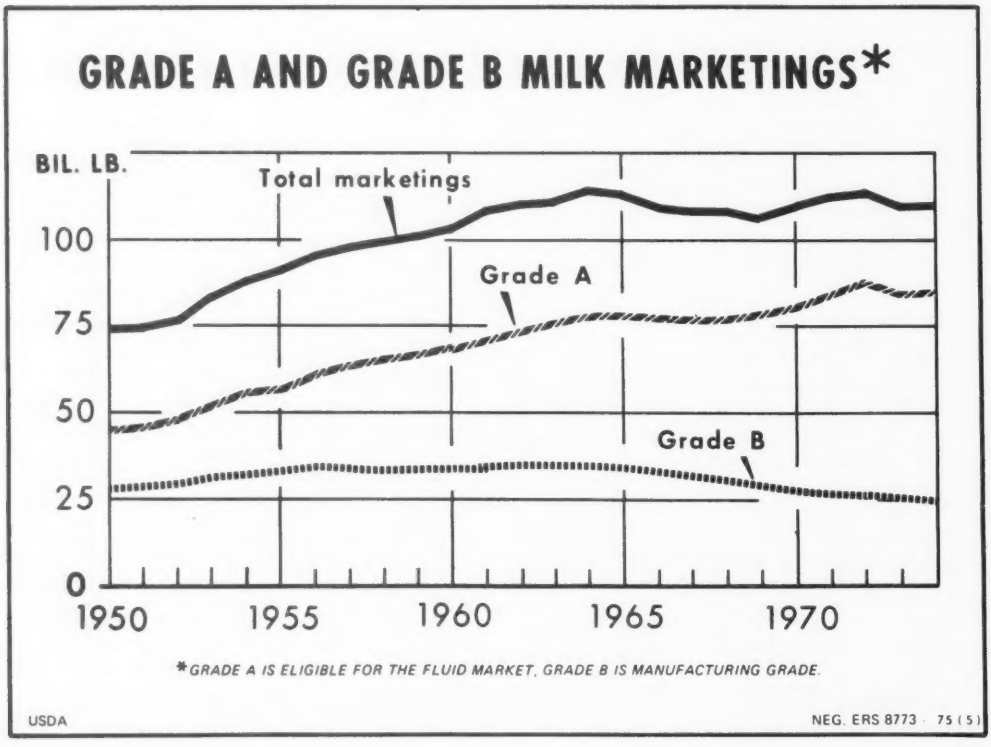

Figure 8

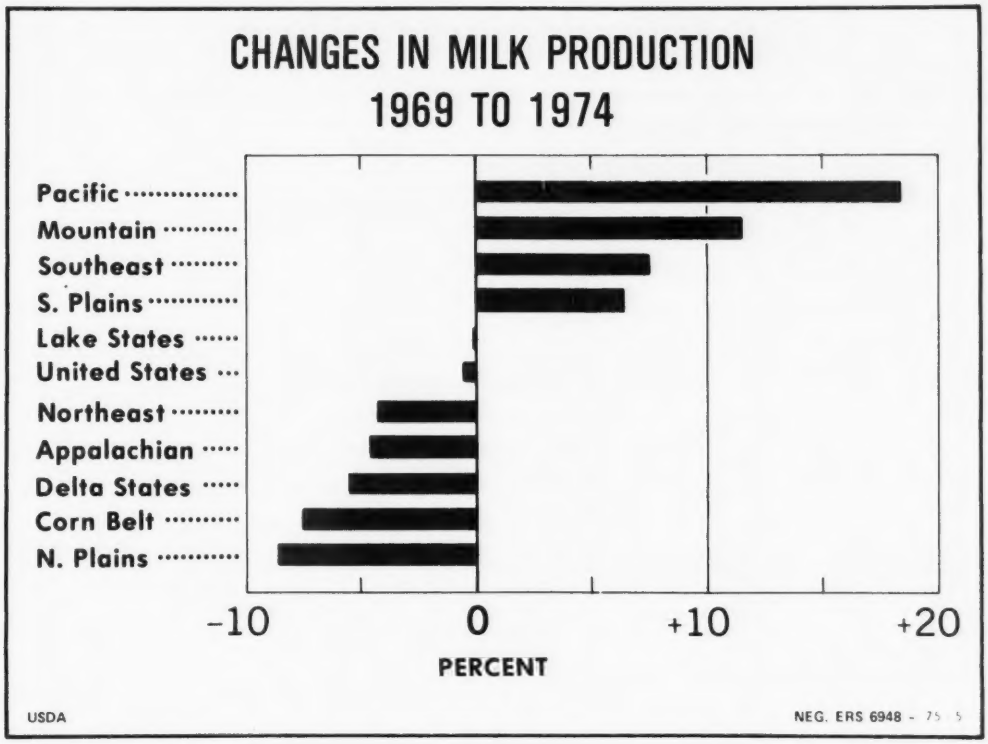

Figure 9

Milk production continued to drop in the Corn Belt and Northern Plains. These were the regions hardest hit by last year's drought. Over the longer run, dairying has been losing out to other livestock and crop enterprises as a source of farm income in these regions. As farm labor has become more scarce and farming more specialized, dairy cows have been dropped in favor of beef cattle, hogs, and crops.

PRICES AND INCOME

Support Purchase Prices Raised

USDA raised the support purchase prices for Cheddar cheese and butter effective April 1 (table 5). The increases of 2 cents to 79.25 cents per pound of cheese and 1.25 cents to 70.75 cents per pound of butter at New York were made to provide greater assurance that the annual average farm price of manufacturing milk will equal the previously announced support level of $7.24 per 100 pounds for the 1975/76 marketing year. The support purchase price of 60.6 cents per pound of nonfat dry milk was not changed.

The $7.24 support level was about 79 percent of the April 1 parity equivalent price for manufacturing grade milk (table 4). For the current marketing year, the provisions of the basic 1949 law requiring manufacturing milk prices to be supported between 75 and 90 percent of parity again apply. The April 1 parity equivalent price was $9.14, up almost 13 percent from $8.12 a year earlier (table 6). The sharp rise this past year was primarily due to increases in the parity index (index of prices paid by farmers), although an increased ratio of manufacturing milk prices to all wholesale milk prices also contributed. The parity index dropped from January through March, the first month-to-month drops since mid-1973, but rose again in April. The parity equivalent price at the beginning of the marketing year is used to determine the legal maximum and minimum support levels.

Table 4.--Manufacturing milk and milkfat in farm-separated cream: Comparisons of announced support prices and United States average market prices paid to producers, marketing years, 1957-75

Marketing year beginning April 1	Manufacturing milk					Milkfat				
	Support level		Average market level			Support level		Average market level		
	Percentage of parity equivalent 1/	Price per 100 pounds	Price per 100 pounds	As a percentage of parity equivalent: In month prior to marketing year	As a percentage of parity equivalent: Average during marketing year	Percentage of parity 1/	Price per pound	Price per pound	As a percentage of parity: In month prior to marketing year	As a percentage of parity: Average during marketing year
	Percent	Dollars	Dollars	Percent	Percent	Percent	Cents	Cents	Percent	Percent
1957	82	3.25	3.28	83	82	79	58.6	60.3	82	81
1958	75	3.06	3.16	77	77	75	56.6	59.1	78	78
1959	77	3.06	3.22	81	81	77	56.6	60.7	82	82
1960	76	2/ 3.06				76	2/ 56.6			
	80	3/ 3.22				80	3/ 59.6			
	85	4/ 3.40	3.31	83	83	82	4/ 60.4	61.1	82	83
1961	83	3.40	3.38	83	83	81	60.4	61.7	82	82
1962	75	3.11	3.19	77	76	75	57.2	59.1	78	77
1963	75	3.14	3.24	78	77	75	58.1	59.6	77	77
1964	75	3.15	3.30	79	78	75	58.0	60.4	78	77
1965	75	3.24	3.45	80	79	75	59.4	62.1	78	77
1966	78	3.50				75	61.6			
	89.5	5/ 4.00	4.11	92	90	83	68.0	68.6	84	82
1967	87	4.00	4.07	88	87	81	68.0	68.2	81	80
1968	89.4	4.28	4.30	90	87	77	66.0	68.6	80	77
1969	83	4.28	4.55	88	86	75	68.6	69.6	76	74
1970	85	4.66	4.76	87	85	75	71.5	71.1	75	73
1971	85	4.93	4.91	85	82	---	---	69.5	70	68
1972	79	4.93	5.22	84	80	---	---	68.1	66	64
1973	75	6/ 5.29				---	---			
	80	7/ 5.61	6.95	99	91	---	---	67.6	60	56
1974	81	6.57				---	---			
	89	8/ 7.24	6.88	85	78	---	---	61.8	50	47
1975	79	7.24				---	---			

1/ Except as noted, this is the actual percentage of the parity equivalent price published in March before the marketing year. In some cases the announced percentages, based on forward estimates of parity, were slightly different. For earlier years see DS-320, table 4. 2/ Effective April 1-September 16, 1960. 3/ Effective September 17, 1960-March 9, 1961 (Public Law 86-799). 4/ Effective March 10, 1961. 5/ Effective June 30, 1966. 6/ Effective March 15, 1973. 7/ Effective August 10, 1973. 8/ Effective January 4, 1975.

Table 5.--Dairy products under price support programs, USDA purchase price per pound, 1960-75 1/

Effective date of change	Butter 2/		Nonfat dry milk, extra grade		Natural Cheddar cheese, Grade A or higher
	Grade A or higher				
	Chicago	New York	Spray	Roller	
	Cents				
4/01/60	57.974	58.75	13.40	11.40	32.75
9/17/60	60.466	61.25	13.90	11.90	34.25
3/10/61	60.466	61.25	15.90	13.90	36.10
7/18/61	60.466	61.25	16.40	14.40	36.50
4/01/62	57.966	58.75	14.40	---	34.60
4/01/63	57.966	58.75	14.40	---	35.60
4/01/65	58.966	59.75	14.60	---	36.10
4/01/66	60.966	61.75	16.60	---	39.30
6/30/66	66.466	67.25	3/ 19.60	---	43.75
4/01/68	4/ 66.442	67.25	23.10	---	47.00
4/01/69	4/ 67.644	68.50	5/ 23.35	---	48.00
4/01/70	4/ 69.846	70.75	27.20	---	52.00
4/01/71	67.784	68.75	31.70	---	54.75
4/01/72	67.708	68.75	31.70	---	54.75
4/15/73	60.922	62.00	37.50	---	62.00
8/10/73	60.922	62.00	41.40	---	65.00
4/01/74	60.570	62.00	56.60	---	70.75
1/04/75	68.070	69.50	60.60	---	77.25
4/01/75	69.193	70.75	60.60	---	79.25

1/ Prices for bulk containers--butter, 64 and 68-pound packages; nonfat dry milk, nonfortified in 100 pound bags; and natural cheese, mostly in 40 and 60-pound blocks. In 1950/51, a purchase price was set for evaporated milk for $3.95 per case. See DS-325, May 1969, table 6 for 1949-59 data. 2/ Beginning 1954/55, San Francisco and Seattle prices were 0.75 cents lower than in New York. Grade B price 2 cents below Grade A price. 3/ Beginning October 1967, prices in 50-pound bags 0.25 cent higher. 4/ Prices varied slightly during the year because of changes in freight rates. 5/ Price for 50-pound bags. Starting April 1, 1970, bulk powder will be purchased only in 50-pound bags.

Table 6.--Computations of parity equivalents for manufacturing milk, per 100 pounds, marketing years, 1960-75 1/

Marketing year beginning April 1	Base period 2/			Adjusted base price 5/	Parity 3/		
	All milk wholesale	Manufacturing grade milk 4/	Ratio		Index (1910-14=100)	Prices	
						All milk wholesale	Equivalent of manufacturing milk
	Dollars	Dollars	Percent	Dollars		Dollars	Dollars
1960	4.25	3.41	80.0	1.67	300	5.01	4.01
1961	4.29	3.42	79.7	1.70	302	5.13	4.09
1962	4.25	3.36	79.1	1.72	305	5.25	4.15
1963	4.17	3.27	78.4	1.72	310	5.35	4.19
1964	4.15	3.24	78.1	1.72	313	5.38	4.20
1965	4.17	3.25	77.9	1.74	318	5.53	4.31
1966	4.19	3.27	78.0	1.73	331	5.73	4.47
1967	4.25	3.34	78.6	1.73	340	5.88	4.62
1968	4.33	3.42	79.0	1.73	350	6.06	4.79
1969	4.44	3.52	79.3	1.76	369	6.49	5.15
1970	4.57	3.65	79.9	1.78	386	6.87	5.49
1971	4.73	3.79	80.3	1.79	405	7.21	5.79
1972	4.89	3.94	80.6	1.82	423	7.70	6.21
1973	5.09	4.13	81.1	1.83	473	8.64	7.01
1974	5.39	4.43	82.2	1.80	549	9.88	8.12
1975	5.81	4.83	83.1	1.80	612	11.00	9.14

1/ See DS-325, May 1969, table 7 for 1948-59. 2/ For the 10 calendar years immediately preceding. 3/ From March issues of Agricultural Prices. 4/ Prior to November 1962, the "3-product" price series was used. 5/ 120-month average of farm prices for all wholesale milk divided by 120-month average of the Index of Prices Received by Farmers (both adjusted for supplemental payments), ending with December of previous year.

The CCC butter pricing system was also changed. The designated markets of San Francisco and Seattle were eliminated. This leaves New York as the only designated market, and the only location for which a butter purchase price is announced. The purchase price at any other location is calculated by adjusting the designated market price by a differential based on a freight rate. However, the support purchase price at any point can be no less than 67.75 cents per pound (3 cents less than the New York price). Current purchase prices for butter are 69.19 cents per pound at Chicago and 67.75 cents per pound in the West. USDA announces one purchase price for cheese and one for nonfat dry milk, both of which apply throughout the country.

Farm Prices Drop Seasonally

Farm prices of all milk showed near average seasonal drops from January to April, largely accounted for by lower fat tests and declining proportions of total milk used in fluid products. Farmers received an average $8.05 per 100 pounds of milk in April, down 28 cents from January and 82 cents below a year earlier.

Milk prices received by farmers

Month	All sold to plants			Manufacturing grade		
	1973	1974	1975	1973	1974	1975
	Dollars per 100 pounds					
January	6.56	8.83	8.33	5.52	8.13	7.00
February	6.60	8.92	8.28	5.52	8.17	7.04
March	6.54	8.96	8.13	5.57	8.15	7.01
April	6.43	8.87	8.05	5.59	7.81	7.02
May	6.40	8.27		5.60	6.93	
June	6.40	7.67		5.61	6.43	
July	6.57	7.60		5.72	6.33	
August	7.19	7.76		6.29	6.47	
September	7.87	8.03		6.93	6.80	
October	8.32	8.28		7.45	7.04	
November	8.66	8.44		7.76	7.01	
December	8.80	8.22		8.00	6.73	
Average	7.14	8.31		6.20	7.15	

Manufacturing milk prices averaged $7.02 in April, just above January but 79 cents below a year earlier. With wholesale dairy product prices generally at support purchase levels, manufacturing milk prices have been rather stable. Continued adjustment to the higher support levels has about offset the seasonal declines in average fat tests. Adjusted to the annual average fat test, manufacturing milk prices in April averaged about 20 cents below the $7.24 support level but were 13 cents above the January level when the current support price became effective.

When adjusted to 3.5 percent milkfat, the Minnesota-Wisconsin price and the U.S. average manufacturing milk price have been very close since mid-1974 and almost the same since January 1975. This was in sharp contrast to late 1973 and early 1974 when the Minnesota-Wisconsin price was as much as 30 cents higher. During the 1969-73 period, the Minnesota-Wisconsin price averaged about 10 cents above the U.S. average manufacturing milk price.

In March, American cheese plants paid about a nickel more for milk (adjusted for fat content) than did butter-powder plants. Butter-powder plants paid a little more for milk in much of late 1974 and early 1975 but the difference was never very large. The changes in support purchase prices may alter these relationships, although cheese and butter-powder plants will likely remain fairly competitive for milk in coming months.

Minimum Class I prices in Federal order markets will average $9.04 per 100 pounds in June, up 18 cents from January but down from $9.84 last June. Class I prices in all Federal order markets are once again based on the Minnesota-Wisconsin price of 2 months earlier. February and March Class I prices were based on the preceding month's Minnesota-Wisconsin price to more rapidly reflect the increase in support prices.

In January, estimated over-order payments on Class I milk averaged about $1 per 100 pounds above minimum Class I prices in Federal order markets reporting such payments. The January average was 3 cents above November and December but down 6 cents from the high of $1.06 in September. Compared with January 1974, over-order charges were up 68 cents while the average Federal order minimum Class I price was down 87 cents, indicating an average drop of 19 cents per 100 pounds in the price of Class I milk to handlers.

With Class I prices negotiated by cooperatives reportedly dropping since January and the average of minimum Class I prices increasing, Class I over-order payments have been declining and in May could average around 30 cents below January.

Farm milk prices will likely show only small seasonal drops through the flush season. With wholesale dairy product prices expected to remain close to support purchase levels, manufacturing milk prices will likely hold fairly stable. Prices of milk eligible for fluid use may show some moderate seasonal declines. All milk prices may be above year-earlier levels by early summer as this year's seasonal declines will be less than the sharp drops of a year ago.

Last year, farmers averaged $8.31 per 100 pounds for milk sold to plants and dealers, up from $7.14 in 1973. Prices of butterfat in farm-separated cream averaged 62 cents per pound in 1974 while milk retailed directly to consumers brought 35 cents per quart.

Cash Receipts Down

First quarter 1975 cash receipts from dairying were down about 7 percent from a year earlier. Lower milk prices more than offset slightly larger marketings. Gross dairy income may be closer to year-earlier levels during the second quarter as the decline in milk prices from a year ago diminishes and with further gains in milk marketings likely.

Although production costs eased slightly in the first quarter, they picked up again in April. Dairymen were faced with feed costs about 4 percent above year-earlier levels and all production costs up about 11 percent during January-April.

Sharply higher prices and slightly larger marketings boosted 1974 cash receipts from farm marketings of milk and cream to $9.4 billion from 1973's $8.1 billion (table 7). Cash receipts rose in all production regions, ranging from 9 percent in the Northern Plains to 26 percent in the Pacific region. Farm marketings were down in the Corn Belt, Northern Plains, and Delta States, while holding steady in the Lake States and Appalachian regions. All other regions registered increases.

Wholesale Prices at Supports

Wholesale prices of butter and American cheese rose in early April following the increases in support purchase prices. Since then, prices have remained close to support levels. In early May, the Chicago butter price was at the support purchase price of 69.2 cents per pound; 40-pound blocks of American cheese at Wisconsin assembly points were quoted at 79.4 cents per pound; and barrel cheese was at 75.8 cents per pound. Wholesale Swiss cheese prices rose about 5 cents in April, bringing Grade A blocks at Wisconsin assembly points to around $1.07 per pound in early May.

Prices of nonfat dry milk (high heat, Central States production area) in early May ranged between 57.5 and 60.8 cents per pound, averaging 59.2 cents. Prices at the lower end of the range represent sales of nonfat dry milk produced before January 4. Trading stocks of 1974 product have become relatively small and more buyers are turning to current powder for needs. Large amounts of nonfat dry milk produced on or after January 4 continue to move to USDA at the 60.6 cents-per-pound support purchase price. Even though supplies are likely to remain heavy and demand may continue weak, average wholesale prices likely will increase slightly as supplies of the older powder are worked off.

Whey powder prices have continued their downward trend. Edible whey powder prices peaked at almost 16 cents per pound (Central States production area) in January 1974 but dropped every month since then. In the first part of May, edible whey powder was selling for about 6½ cents per pound, down about 3½ cents since the beginning of the year and about 5 cents below a year ago. Dried whey for animal feed was selling in the range of 4 to 6 cents per pound, also down sharply.

Wholesale ice cream prices eased slightly in March after rising throughout 1974. Prices of evaporated milk rose slightly in March, after being unchanged since last May.

The wholesale price index for dairy products as reported by the Bureau of Labor Statistics (BLS) stood at 148.6 (1967=100) in March, up slightly since the start of the year but almost 2 percent below year-earlier levels. This index has risen since July 1974 but the rate of increase has been fairly moderate.

Major rises in wholesale dairy product prices are not likely until after the flush milk production season. Seasonally rising production, continued large stocks, and weakness in the cheese and nonfat dry milk markets will combine to hold down wholesale prices. Prices beyond the flush season will depend on milk production, stock levels, and commercial sales.

Retail Prices Stable

Retail dairy prices remained basically stable in early 1975 after seasonal rises in late 1974. The BLS index of retail dairy prices stood at 155.4 (1967=100) in March, virtually the same as last December and less than 3 percent above a year earlier. Meanwhile, retail prices of all food were 8 percent higher and all items in the Consumer Price Index were up 10 percent from March 1974.

Fluid whole milk prices peaked in January and then declined slightly in February and March (figure 10). The March level was identical to the year-earlier price. The rise in retail ice cream prices began to slow in the first quarter. Ice cream prices, fueled by sharp jumps in sugar costs, rose quite rapidly in late 1974 and were up a fifth from year-earlier levels in March. Evaporated milk prices stabilized in early 1975 after rising throughout 1974. March prices were more than a tenth above a year ago.

Retail butter prices dropped in January and have increased slowly since then. March prices were about the same as a year ago and down about a penny a pound

Retail dairy product prices

Item	Unit	Mar. 1974	May 1974	Sept. 1974	Mar. 1975
All dairy products	1967=100	151.5	154.6	151.1	155.4
Butter	c/lb.	95.4	94.1	93.5	95.2
Processed American cheese	c/½-lb.	74.3	75.7	71.0	73.7
Ice cream	c/½-gal.	101.1	105.2	109.9	123.0
Whole milk: At stores	c/½-gal.	78.9	80.4	77.3	78.9
Evaporated milk	c/can	27.4	28.6	30.0	30.6
Skim milk: At stores	c/qt.	41.1	42.0	41.1	42.2

Table 7.--Cash receipts from farm marketings of milk and cream, United States, by production regions, 1965-74 1/

State and region	1965	1968	1969	1970	1971	1972	1973	1974 2/
				Million dollars				
Maine	34.0	37.2	40.3	42.2	44.3	46.7	50.8	58.9
New Hampshire	21.5	21.9	22.6	23.5	24.3	24.9	27.3	30.3
Vermont	97.4	109.4	118.6	126.5	133.0	138.9	151.8	169.8
Massachusetts	47.7	47.9	47.7	47.8	48.2	47.4	50.6	56.8
Rhode Island	6.1	5.2	5.3	5.2	4.9	4.9	5.2	5.8
Connecticut	41.4	44.9	46.3	46.7	47.7	48.0	52.0	58.9
New York	478.9	556.3	592.7	612.7	631.9	647.2	704.0	806.6
New Jersey	52.3	48.8	48.4	46.9	45.1	44.0	45.7	49.4
Pennsylvania	342.6	400.8	429.6	456.0	462.0	473.0	525.7	622.7
Delaware	8.0	8.1	8.7	8.5	8.9	9.1	9.9	11.6
Maryland	78.0	92.4	96.4	100.7	103.5	104.9	113.9	130.8
Northeast	1,207.9	1,372.9	1,456.6	1,516.7	1,553.8	1,589.0	1,736.9	2,001.6
Michigan	222.6	245.2	249.6	261.0	278.9	299.5	325.4	370.0
Wisconsin	645.5	807.7	851.7	915.8	970.1	1,035.1	1,201.3	1,369.1
Minnesota	342.2	423.4	422.8	442.8	461.5	479.2	570.7	661.9
Lake States	1,210.3	1,476.3	1,524.1	1,619.6	1,710.5	1,813.8	2,097.4	2,401.0
Ohio	217.0	243.7	249.2	256.1	267.6	282.5	309.0	353.7
Indiana	118.9	125.9	127.6	133.3	139.8	146.7	163.1	189.6
Illinois	143.0	153.0	153.6	153.0	153.3	162.1	182.0	202.6
Iowa	192.8	212.3	218.3	220.7	224.3	224.9	262.2	279.6
Missouri	117.6	140.8	151.9	155.3	159.5	165.1	195.6	228.5
Corn Belt	789.3	875.7	900.6	918.4	944.5	981.3	1,111.9	1,254.0
North Dakota	36.6	39.3	38.6	41.3	41.3	43.2	57.3	67.9
South Dakota	46.7	64.9	65.0	68.7	73.3	76.1	92.8	102.0
Nebraska	54.8	67.6	68.2	73.2	76.2	82.3	95.6	100.0
Kansas	63.8	83.9	88.1	94.5	95.2	95.5	102.3	111.0
Northern Plains	201.9	255.7	259.9	277.7	286.0	297.1	348.0	380.9
Virginia	82.2	99.5	101.1	104.7	109.1	112.9	125.7	151.2
West Virginia	19.4	20.8	20.2	20.3	21.5	21.2	23.7	26.7
North Carolina	74.2	86.2	92.0	94.5	98.7	102.3	118.9	140.5
Kentucky	92.5	116.0	119.7	125.8	130.7	138.7	149.2	180.3
Tennessee	86.1	106.3	109.3	113.3	115.5	123.0	133.3	156.1
Appalachian	354.4	428.8	442.3	458.6	475.5	498.1	550.8	654.8
South Carolina	27.6	32.4	33.3	35.4	36.8	37.1	42.1	50.7
Georgia	55.6	68.1	73.9	80.2	80.7	86.8	96.0	116.5
Florida	87.3	115.1	121.1	126.9	141.2	149.5	172.1	214.2
Alabama	41.2	46.9	50.3	52.5	56.0	57.3	64.3	69.2
Southeast	211.7	262.5	278.6	295.0	314.7	330.7	374.5	450.6
Mississippi	49.3	58.2	60.0	60.6	61.0	63.9	70.9	79.9
Arkansas	29.8	36.2	37.6	38.3	40.7	43.6	49.2	58.3
Louisiana	53.0	64.6	69.6	73.5	76.8	79.0	85.9	102.8
Delta States	132.1	159.0	167.2	172.4	178.5	186.5	206.0	241.0
Oklahoma	55.6	67.0	71.4	72.9	74.9	73.7	84.8	99.8
Texas	143.4	183.7	195.9	205.5	221.1	233.3	263.4	304.1
Southern Plains	199.0	250.7	267.3	278.4	296.0	307.0	348.2	403.9
Montana	13.7	15.7	15.5	15.9	16.6	17.8	19.1	22.1
Idaho	49.3	60.5	62.1	69.6	76.1	82.9	100.1	112.5
Wyoming	6.0	7.0	7.1	7.2	7.2	7.8	8.6	9.6
Colorado	38.2	47.8	50.5	53.6	56.5	59.2	65.5	75.6
New Mexico	15.0	20.2	20.8	22.0	24.2	26.0	27.7	32.3
Arizona	27.4	35.1	37.5	40.0	43.4	44.9	60.6	73.7
Utah	29.9	39.0	41.7	45.6	47.6	51.4	60.3	74.7
Nevada	6.8	7.4	7.6	8.2	8.3	8.5	9.8	14.0
Mountain	186.3	232.7	242.8	262.1	279.9	298.5	351.7	414.5
Washington	83.0	107.0	112.8	121.0	134.5	144.8	170.5	195.8
Oregon	44.1	51.2	52.0	56.2	61.0	63.0	72.6	84.8
California	403.2	470.5	477.1	534.0	560.9	608.1	693.0	894.2
Pacific	530.3	628.7	641.9	711.2	756.4	815.9	936.1	1,174.8
Alaska	2.0	1.8	1.9	2.0	1.8	2.0	2.1	2.4
Hawaii	12.8	12.5	12.6	13.0	13.2	14.5	16.5	19.4
United States	5,037.7	5,957.3	6,195.7	6,525.2	6,810.8	7,134.7	8,080.1	9,398.9

1/ Totals may not add due to rounding.
2/ Preliminary.

from December. Margarine prices began to weaken in early 1975 but were still about 18 cents per pound over year-earlier levels in March. Processed American cheese prices have risen every month since August but the increases have generally been small. Although up about a penny a pound from last December, retail cheese prices in March were down about a penny from a year ago.

Retail dairy prices may show only small increases in coming months. The recent change in support purchase prices may provide some upward pressure on butter and cheese prices but ice cream prices may moderate with declining sugar prices. Fluid milk prices could be about stable if over-order payments decline as expected. For all of 1975, the rise in retail dairy prices may be about in line with the 4½-percent average annual rise of the early 1970's.

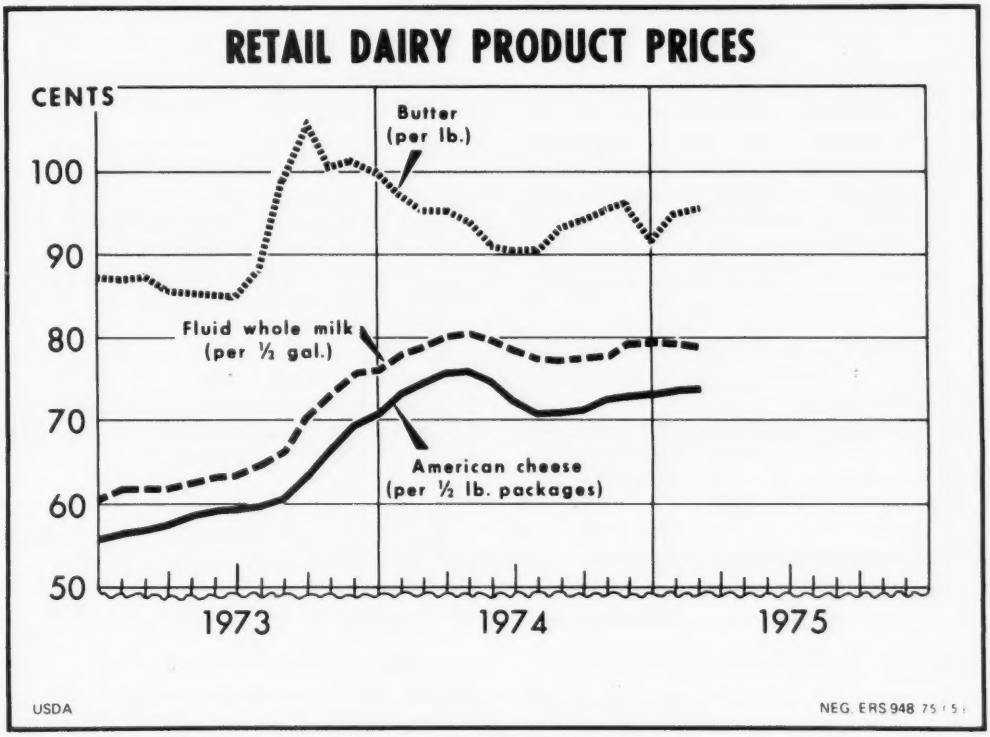

Figure 10

UTILIZATION

1974 Fluid Use Falls; Manufacturing Gains

Fluid milk and cream sales (on a milk equivalent, fat solids basis) fell almost 5 percent in 1974. Consumer resistance to sharply higher retail prices was the major factor. The continued shift to fluid lowfat and skim milk also contributed to the decline in whole milk sales, and consequently to the drop in sales on a milk equivalent basis. Fluid products accounted for about 45 percent of the market supply of milk, down from 47 percent in 1973 and 46 percent in 1972 (table 8).

More than 61 billion pounds of milk (55 percent of supplies) went into manufactured dairy products last year, up 4 percent from 1973 but still a billion pounds less than 2 years ago. The drop in fluid use resulted in larger milk supplies being available for manufacturing.

Considerably more milk went into cheese last year with butter and frozen desserts also showing gains. Canned milk, cottage cheese, and dry whole milk all used less milk. Cheese production (excluding cottage cheese) utilized the equivalent of almost 26 billion pounds of milk or 23 percent of market supplies. Both American types and other varieties showed strong gains. Butter manufacture used 19 billion pounds of milk in 1974, up 4 percent from 1973 but still quite low relative to past years. Part of the increase in butter production during 1974 came from larger amounts of whey cream rather than directly from milk.

Although slightly more milk was used in frozen desserts last year, less fat came from domestic sources with the difference being made up by butteroil imported in late 1973 but carried over into 1974.

Production of selected manufactured dairy products, 1974-75

Item	January-March		Change from year ago	
	1974	1975[1]	1974	1975[1]
	Million pounds	*Million pounds*	*Percent*	*Percent*
Butter	227.0	284.1	-16.2	+25.2
Cheese:				
American	487.6	396.8	+27.1	-18.6
Other	255.3	261.3	+4.0	+2.4
Cottage, creamed	215.8	217.7	-15.4	+.9
Canned milk	251.7	219.0	+2.4	-13.0
Dry whole milk	18.3	12.1	-6.2	-33.9
Ice cream (Mil. gal.)	176.9	188.6	+.5	+6.6
Milk equivalent[2]	14,485	14,790	+2.0	+2.1
Nonfat dry milk	189.7	260.9	-17.2	+37.5

[1] Preliminary. [2] Total all manufactured products.

More Milk Moves Into Butter, Nonfat Dry Milk

Butter and nonfat dry milk output early in 1975 continued to run substantially above the previous year. At the same time, less milk was moving into American cheese production. High levels of American cheese stocks held by commercial firms, coupled with a falloff in cheese sales, have caused milk to be diverted from American cheese production into butter and nonfat dry milk. Strong demand has helped absorb the additional butter, but nonfat dry milk continues in excess supply.

Butter production rose a fourth from a year ago in the first quarter, although weekly production estimates indicate the gain had slowed to about 17 percent in April. Nonfat dry milk output jumped 37 percent in January-March from the same months of 1974.

On the other hand, American cheese manufacture decreased by about a fifth in the first quarter this year, with output down around 16 percent in April.

When making these comparisons with a year ago, it should be kept in mind that during early 1974 American cheese production was record high while butter and nonfat dry milk output was record low. American cheese production during the first quarter this year was still the second highest for that period on record. In contrast, butter and nonfat dry milk output has been dropping for a number of years, and first quarter production, although up sharply from the year before, was still the third lowest on record for that period.

Other dairy products were showing more modest changes. Cheese varieties other than American posted a 2-percent increase in January-March, led by the 21-percent increase in Cream and Nuefchatel cheeses. Although up around 2 percent in the first quarter, Mozzarella cheese gains have slowed appreciably in the past year. Other Italian varieties, Brick and Munster were still showing good gains, but production of Swiss and Blue were down.

Ice cream production was up 7 percent early in 1975 from a year ago, although less ice milk and sherbet were being processed. Cottage cheese production had pulled slightly above the previous year in January-March, following rather substantial declines during 1974.

During the first quarter this year, about 2 percent more milk equivalent moved into manufactured dairy products than a year earlier. The higher fat content of milk marketed by farmers has added to butterfat supplies this year. Milk used in manufactured products may continue to run above a year ago in the second quarter, and seasonal increases are now occurring as milk production moves toward its May-June peak. Continued gains in fluid milk sales likely will pull some additional milk from processing uses. Also, the movement of milk from cheese plants to butter plants may moderate as the year progresses.

Wisconsin out-of-state milk shipments picked up somewhat from year-earlier levels in March and April as fluid milk sales were showing some recovery. However, out-of-state shipments were still running considerably below comparable months of 1973.

Dairy Sales Mixed

Even though butter sales continued strong and fluid sales were up, total dairy sales slipped below year-earlier

Table 8.--Use of market supply of milk, United States, 1960-74

Year	Fluid use	Creamery butter	Cheese		Creamed cottage cheese	Evaporated and condensed milk 1/	Dry whole milk	Frozen dairy products, net	Other factory products	Total factory products 2/	Miscellaneous 3/	Market supply of milk 4/
			American	Other								
	Billion pounds											
1960	53.0	29.3	9.7	3.7	1.0	5.4	0.7	9.5	0.5	59.8	1.1	113.9
1961	52.6	31.7	11.2	3.7	1.0	5.4	.6	9.6	.4	63.6	1.2	117.4
1962	53.3	33.0	10.7	3.7	1.0	5.0	.6	9.7	.4	64.1	1.3	118.7
1963	54.3	30.8	10.9	3.9	1.0	5.0	.7	9.9	.5	62.7	1.3	118.3
1964	54.9	31.2	11.5	4.2	1.0	5.0	.6	10.3	.6	64.5	1.1	120.5
1965	55.4	28.5	11.5	4.3	1.0	4.6	.7	10.6	.6	61.8	1.2	118.4
1966	55.4	23.7	12.2	4.5	1.0	4.7	.7	10.5	.6	57.9	2.5	115.9
1967	54.0	26.1	12.7	4.5	1.0	4.0	.5	10.5	.3	59.8	1.2	114.9
1968	53.7	24.9	12.7	4.7	1.1	3.9	.6	11.0	.4	59.2	-.2	112.8
1969	52.8	23.7	12.7	4.9	1.2	3.9	.5	11.0	.4	58.3	1.0	112.1
1970	52.0	23.9	14.3	5.3	1.2	3.3	.5	11.1	.4	60.0	1.5	113.5
1971	51.8	23.9	15.1	5.8	1.3	3.2	.5	11.0	.6	61.5	1.7	115.0
1972	53.2	22.8	16.3	6.4	1.3	3.1	.6	11.0	.8	62.2	1.1	116.5
1973	52.4	18.6	16.8	6.8	1.1	2.9	.6	11.1	.7	58.7	1.8	112.8
1974 5/	50.0	19.3	18.4	7.4	1.0	2.7	.5	11.2	.8	61.2	1.0	112.2
	Percentage of total market supply											
	Percent											
1960	46.5	25.7	8.5	3.2	0.9	4.8	0.6	8.3	0.4	52.5	1.0	100.0
1961	44.8	27.0	9.5	3.2	.9	4.6	.5	8.2	.3	54.2	1.0	100.0
1962	44.9	27.8	9.0	3.1	.8	4.2	.5	8.2	.3	54.0	1.1	100.0
1963	45.9	26.0	9.2	3.3	.8	4.2	.6	8.4	.4	53.0	1.1	100.0
1964	45.6	25.9	9.5	3.5	.8	4.2	.5	8.5	.5	53.5	.9	100.0
1965	46.8	24.1	9.7	3.6	.8	3.9	.6	9.0	.5	52.2	1.0	100.0
1966	47.8	20.4	10.5	3.9	.9	4.1	.6	9.1	.5	50.0	2.2	100.0
1967	47.0	22.7	11.1	3.9	.9	3.5	.4	9.1	.3	52.0	1.0	100.0
1968	47.6	22.1	11.3	4.2	1.0	3.5	.5	9.8	.4	52.5	-.2	100.0
1969	47.1	21.1	11.3	4.4	1.1	3.5	.4	9.8	.4	52.0	.9	100.0
1970	45.8	21.1	12.6	4.7	1.1	2.9	.4	9.8	.4	52.9	1.3	100.0
1971	45.0	20.8	13.1	5.0	1.1	2.8	.4	9.6	.5	53.5	1.5	100.0
1972	45.7	19.6	14.0	5.5	1.1	2.7	.5	9.4	.7	53.4	.9	100.0
1973	46.5	16.5	14.9	6.0	1.0	2.6	.5	9.8	.6	52.0	1.6	100.0
1974 5/	44.6	17.2	16.4	6.6	.9	2.4	.4	10.0	.7	54.5	.9	100.0

1/ Canned and bulk. 2/ May not add due to rounding. 3/ Minor miscellaneous uses and any inaccuracies of independently determined use items. 4/ Milk marketed by farmers, net imports of ingredients such as frozen cream, butterfat-sugar mixtures and "ice cream", and net change in storage cream. 5/ Preliminary.

Wisconsin out-of-state milk shipments

Month	1974		1975	
	Loads	Volume	Loads	Volume
	Number	*Thousand pounds*	*Number*	*Thousand pounds*
January	640	30,080	252	11,844
February	212	9,964	135	6,345
March	58	2,726	138	6,486
April	18	846	54	2,538
May	2	94		
June	15	705		
July	34	1,598		
August	90	4,230		
September	352	16,544		
October	212	9,964		
November	457	21,479		
December	298	14,006		
Total	2,388	112,236		

levels during January-March. Commercial disappearance of milk in all dairy products was about 3 percent below the first quarter of 1974, but was still above the same months of 1973 (table 9).

American cheese and nonfat dry milk sales showed the major weakness (table 10). Commercial disappearance of American cheese during January-March was down about a fifth from the very strong levels of 1974 and was slightly below first quarter 1973. However, sales of other cheese varieties were slightly above a year ago. Cheese sales have likely been influenced by the drop in retail beef prices. First quarter retail hamburger prices were down about a fifth from early 1974 levels. Declining real personal income and higher unemployment rates probably were also significant factors. Cheese sales may rebound somewhat later in 1975. Retail meat prices are expected to be higher while retail cheese prices may show only slight rises. General economic conditions likely will continue to be a drag on sales but the long upward trend in cheese sales may begin to reassert itself.

Sales of nonfat dry milk continue weak. Commercial disappearance during January-March was down almost a half from a year ago, although increased imports in the first quarter of 1974 did raise apparent disappearance levels. Sales of lowfat milks fortified with added nonfat solids remain below year-earlier levels, although the rate of decline has eased. Production of cottage cheese has been about the same as a year ago but considerably below the levels of 2 years ago. Use of nonfat dry milk in pastry, bakery products, and prepared mixes probably has declined also. User inventories, at high levels in early 1974, are now likely to be fairly low as users have little short-run incentive to hold much beyond current needs. Commercial disappearance of nonfat dry milk may recover somewhat later this year but sales will likely remain relatively weak. This recovery would be accelerated if users decide to rebuild inventories.

On the other hand, butter sales continue quite strong. Commercial disappearance of butter in January-March was up about a fifth from a year ago. Although margarine prices eased slightly during the first quarter, they were up by almost half from a year earlier. Specials on margarine have been occurring in recent months, and there have been indications that retail margarine prices will decline, which would widen the differential between butter and margarine prices in coming months. However, butter should remain in a relatively favorable price relationship and butter sales likely will remain strong in coming months.

Fluid milk sales started 1975 on a strong note. January-February sales in major urban markets were up about 3 percent from a year earlier. However, preliminary indications were that sales gains slowed in March. March sales may have been influenced by this year's earlier Easter vacation period. Fluid sales are likely to remain above year-earlier levels in coming months. Relatively stable retail prices for milk and sharply higher prices for competing beverages should help boost sales. Again, it should be remembered that this year's gains in fluid milk sales are occurring relative to the sharply lower levels of early 1974.

Dairy Donations Down

USDA donations of dairy products to schools, institutions, and needy persons in 1974 fell to 1.6 billion pounds (milk equivalent) from 3.5 billion pounds in 1973, and the lowest since 1966 (table 11). Last year, donations represented only about 1½ percent of civilian milkfat consumption and less than 1 percent of milk solids-not-fat use.

School feeding programs are now the main domestic outlet for dairy product donations. With the exception of some Indian reservations and certain special programs, needy families have been shifted from direct distribution of commodities to food stamps. The use of food stamps adds to the commercial market for dairy products, especially for fluid milk, ice cream, and cheese.

Butter donations, at about 54 million pounds in 1974, were only a third of 1973 levels, reflecting the reduced supplies of butter available for donation. Last year's donations were the lowest since 1966. Donations of evaporated milk also declined sharply. On the other hand, increased government supplies of cheese brought donations back up to 44 million pounds, about the same as in 1972.

Domestic donation outlets for nonfat dry milk have been greatly reduced in recent years. About 59 million pounds of nonfat dry milk, including that in scrambled egg mix, moved into program outlets in 1974, roughly the same as a year earlier but only about half the 1972 level. Less instantized nonfat dry milk and scrambled egg mix were donated in 1974 but more regular powder was used. This reflects the shift away from needy family donations with the school lunch program now the major outlet.

Table 9.--Commercial disappearance: Total milk, annual and by quarters, 1973-75 1/

Item	1973	1974					1975 2/				
		By quarters					By quarters				
		1st	2nd	3rd	4th	Annual	1st	2nd	3rd	4th	Annual
	Billion pounds										
Production	115.4	28.0	31.5	29.0	26.9	115.4	28.1				
Farm use	3.4	.8	.8	.8	.8	3.3	.8				
Marketings	112.0	27.2	30.7	28.1	26.0	112.1	27.3				
Beginning commercial stocks	3.5	4.7	5.3	7.8	7.2	4.7	5.6				
Imports	3.9	1.4	.4	.4	.6	2.9	.3				
Total supply	119.4	33.4	36.4	36.4	33.9	119.7	33.2				
Ending commercial stocks	4.7	5.3	7.8	7.2	5.6	5.6	5.0				
Net removals	2.2	.1	.5	.5	.2	1.3	1.1				
Commercial disappearance											
Actual	112.4	27.9	28.1	28.6	28.1	112.8	27.2				
Percent change 3/	4/-.3	+4.1	-3.9	+1.3	+.3	+.3	-3.1				

1/ Milk equivalent, fat solids basis. Totals may not add due to rounding. 2/ Preliminary. 3/ From year earlier. 4/ On a daily average basis.

Table 10--Commercial disappearance: Selected dairy products, United States, annual 1965-74, by quarters, 1974-75

Year and quarter	Butter creamery 1/	Cheese		Nonfat dry milk	Canned milk	Frozen products 3/
		American 2/	Other			
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. gal.
1965	1,095.8	1,124.4	665.2	942.1	1,841.7	1,033.4
1966	1,086.0	1,207.8	706.2	1,156.8	1,776.8	1,038.7
1967	973.9	1,175.9	738.2	1,012.2	1,571.5	1,040.2
1968	976.0	1,213.3	803.0	1,058.0	1,496.8	1,082.3
1969	921.9	1,281.0	861.6	1,042.1	1,376.1	1,092.2
1970	898.2	1,398.0	909.1	983.2	1,213.8	1,097.3
1971	847.1	1,454.8	987.0	981.8	1,186.9	1,102.4
1972	885.4	1,595.7	1,127.8	919.2	1,102.6	1,108.6
1973	855.6	1,677.1	1,210.2	1,110.1	1,056.7	1,118.7
1974	920.3	1,754.0	1,263.3	795.0	951.5	1,128.3
1974-1st	208.4	507.8	301.0	273.7	258.5	249.1
2nd	209.2	428.3	308.6	206.2	214.3	311.1
3rd	224.4	422.6	316.5	174.2	217.1	331.2
4th	278.3	395.3	337.2	140.9	261.3	236.9
1975-1st	252.0	402.3	304.3	142.6	237.4	257.2
2nd						
3rd						
4th						
	1974-75 percent change					
	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
1st	+20.9	-20.8	+1.1	-47.9	-8.2	+3.3
2nd						
3rd						
4th						

1/ Imports include butter equivalent of butteroil. 2/ Imports include Colby cheese; stocks do not include processed cheese. 3/ Excludes Mellorine.

Table 11—USDA domestic donations of dairy products to schools, institutions, and needy persons, 1969-74

Product	Unit	1969	1970	1971	1972	1973	1974
Butter	Mil. lb.	166.4	168.3	170.5	158.6	162.5	54.4
American cheese	do.	89.5	45.6	75.0	46.0	4.0	43.8
Evaporated milk	do.	62.4	89.2	95.4	81.8	58.4	28.0
Nonfat dry milk:							
Regular	do.	111.4	89.3	61.3	43.5	17.8	28.5
Instant	do.	.2	32.2	63.5	58.9	35.7	27.9
Scrambled egg mix[1]	do.	13.7	13.1	15.9	14.1	13.4	8.9
Milk beverage mix[2]	do.	2.0	.5	---	---	---	---
Butteroil	do.	---	---	.5	---	---	---
Instant milk formula	do.	---	---	---	.2	.2	.2
Milk equivalent[3]	do.	4,545	4,187	4,526	3,906	3,521	1,632
Percent of civilian consumption	Pct.	4.0	3.7	4.0	3.4	3.1	1.4
Solids-not-fat	Mil. lb.	152	153	167	133	69	77
Percent of civilian consumption	Pct.	1.8	1.8	2.0	1.6	.8	.9

[1] 30% nonfat dry milk. [2] 45% nonfat dry milk. [3] Fat solids basis.

The number of people receiving commodities fell sharply as food distribution to low-income families was discontinued in all but a few areas as of December 1974. By March 1975, these programs were serving only about 90,000 people, not including more than a half million persons in Puerto Rico who were shifted to food stamps early this year. In early 1974, 1.9 million persons were receiving commodities. In addition, almost 300,000 women, infants, and young children were receiving nutritionally rich foods under a special program. The school lunch program served around 25 million children in 1974, about the same as in recent years. About 1.8 million children participated in the school breakfast program in December 1974, up a third from a year ago as the number of schools offering the program increased.

Donations of butter and cheese may increase this year if supplies available for donation rise as expected. Only limited amounts of nonfat dry milk can now be utilized in domestic programs and donations will not approach the levels of the early 1970's when large quantities were moving to needy families.

Per Capita Consumption Down

Milk use per person may show a slight decline this year, although the drop will likely not equal last year's fall but perhaps will be more in line with the 1-percent drops of earlier years. Total use could be about the same or slightly greater than in 1974 but the population increase will offset the per capita drop. Farm household use will likely fall but USDA donations could be up.

Even though off to a slow start, per capita cheese consumption could show a gain for the year, although the increase may well be smaller than in recent years. Fluid lowfat milks will likely increase and butter could show a slight rise but other dairy products may remain about the same or decline.

In 1974, consumers used about 543 pounds milk equivalent per person in all dairy products, down about 2 percent from 1973's 554 pounds. Much of the decline was accounted for by decreased government donations. Americans consumed an average 14.5 pounds of cheese, up 0.8 pound from the previous year. Per capita consumption of ice cream and lowfat milk rose but most other products declined (table 12).

Milkfat consumed per person averaged 20.0 pounds last year, down from 20.4 pounds in 1973 (table 13). In the late 1940's, we were eating about 30 pounds. Per capita consumption of solids-not-fat dropped to 40.4 pounds in 1974 after rising to 42.2 pounds the year before. Consumption per person of solids-not-fat has been fairly stable over the past 2 decades, while milkfat use has declined steadily. In 1974, Americans consumed 7 percent less solids-not-fat per person than in 1950, while use per person of milkfat was off 32 percent.

USDA Buying Heavily

USDA removals of dairy products under the price support program continued heavy in early 1975. Net removals in January-April 1975 totaled about 1.5 billion pounds milk equivalent, up from 0.1 billion pounds a year earlier but still less than in early 1973. During the 1974/75 marketing year ended March 31, CCC removed the equivalent of 2.4 billion pounds of milk, up from 0.7 billion pounds in the previous marketing year but still only about half the purchases in 1972/73 (table 14).

USDA dairy purchases

Item	January-April		
	1974	1975	Change
	Million pounds	*Million pounds*	*Percent*
Butter	3	51	+1,600.0
American cheese	2	45	+2,150.0
Nonfat dry milk	11	211	+1,818.2
Evaporated milk	7	9	+28.6
Milk equivalent	106	1,530	+1,343.4

Table 12--Dairy products: Per capita civilian consumption, selected products, United States, 1955-74

Year	Butter	Cheese		Cottage cheese	Evaporated and condensed milk	Dry whole milk	Ice cream	Nonfat dry milk	Fluid products 1/
		American	Other						
					Pounds				
1955	9.0	5.4	2.5	3.9	16.2	0.3	18.0	5.5	348
1956	8.7	5.4	2.6	4.5	15.9	.3	18.0	5.2	348
1957	8.3	5.1	2.6	4.6	15.4	.2	18.0	5.3	344
1958	8.3	5.5	2.6	4.6	14.8	.3	17.8	5.6	337
1959	7.9	5.2	2.8	4.7	14.3	.3	18.7	6.2	330
1960	7.5	5.4	2.9	4.8	13.7	.3	18.3	6.2	322
1961	7.4	5.7	2.9	4.6	13.3	.3	18.0	6.2	312
1962	7.3	6.1	3.1	4.6	12.5	.3	17.9	6.1	308
1963	6.9	6.1	3.1	4.6	11.6	.3	18.0	5.8	307
1964	6.9	6.2	3.2	4.7	11.4	.3	18.3	5.9	304
1965	6.4	6.2	3.4	4.7	10.7	.3	18.5	5.6	302
1966	5.7	6.2	3.6	4.6	9.7	.3	18.2	5.9	297
1967	5.5	6.4	3.7	4.5	9.0	.3	17.8	5.6	285
1968	5.7	6.6	4.0	4.6	8.9	.2	18.4	5.8	280
1969	5.4	6.7	4.2	4.8	7.9	.2	18.0	5.8	272
1970	5.3	7.1	4.4	5.1	7.1	.2	17.7	5.4	264
1971	5.1	7.4	4.7	5.2	6.8	.2	17.6	5.3	259
1972	4.9	7.8	5.4	5.4	6.4	.1	17.4	4.6	263
1973	4.8	8.0	5.7	5.2	6.0	.1	17.5	5.3	257
1974 2/	4.5	8.5	6.0	4.6	5.3	.1	17.6	4.1	244

1/ Milk equivalent (fat solids basis) of whole milk, cream items, and skim milk. 2/ Preliminary.

Table 13--Milk solids in all dairy products: Production and disposition, 1960-74

Year	Production 1/	Sold by farmers	Consumed on farms where produced 2/	National School Lunch and Special Milk Programs	USDA donations 3/	Other	Total	Per capita
	Million pounds							Pounds
	Milkfat							
1960	4,628	4,278	249	88	76	3,956	4,369	24.5
1961	4,715	4,395	223	92	128	3,908	4,351	24.0
1962	4,718	4,431	199	98	177	3,918	4,392	23.9
1963	4,649	4,380	179	103	179	3,911	4,372	23.4
1964	4,699	4,455	160	107	189	3,960	4,416	23.4
1965	4,592	4,371	145	113	132	3,990	4,380	22.9
1966	4,426	4,250	129	117	43	4,014	4,303	22.3
1967	4,377	4,189	116	117	114	3,826	4,173	21.4
1968	4,305	4,129	104	117	151	3,805	4,177	21.2
1969	4,264	4,104	94	119	169	3,778	4,160	20.9
1970	4,283	4,134	84	113	157	3,794	4,148	20.6
1971	4,344	4,201	77	113	169	3,817	4,176	20.5
1972	4,408	4,280	71	111	149	3,919	4,250	20.6
1973	4,221	4,100	65	109	136	3,932	4,242	20.4
1974 4/	4,232	4,113	64	108	60	3,955	4,187	20.0
	Milk solids-not-fat							
1960	10,637	9,228	571	210	112	6,841	7,734	43.4
1961	10,861	9,599	514	222	172	6,884	7,792	43.0
1962	10,895	9,773	460	236	217	6,990	7,903	43.0
1963	10,792	9,792	415	248	200	7,034	7,897	42.3
1964	10,945	10,041	374	259	190	7,233	8,056	42.6
1965	10,704	9,905	337	275	166	7,380	8,177	42.7
1966	10,324	9,621	301	283	124	7,488	8,196	42.4
1967	10,223	9,594	271	285	130	7,434	8,120	41.6
1968	10,081	9,528	244	288	144	7,559	8,235	41.8
1969	9,985	9,490	221	293	152	7,636	8,302	41.7
1970	10,059	9,622	198	298	153	7,637	8,286	41.1
1971	10,194	9,794	181	300	167	7,765	8,413	41.2
1972	10,324	9,954	167	302	133	7,761	8,363	40.5
1973	9,923	9,581	153	301	69	8,259	8,782	42.2
1974 4/	9,926	9,593	151	301	77	7,943	8,472	40.4

1/ Quantities produced and used, estimated by applying the percentage of milkfat and solids-not-fat in each product to the amount of products. 2/ Fluid milk and cream and farm-churned butter. 3/ Butter, cheese, evaporated milk, nonfat dry milk, and dry whole milk. 4/ Preliminary.

Table 14--Dairy products removed from the commercial market by programs of the U.S. Department of Agriculture, marketing years, 1960-74 1/

Year and month	Removals 2/						Solids content of removals			
	Butter 3/	Cheddar cheese	Dry whole milk	Evaporated milk	Nonfat dry milk 4/	Milk equivalent	Milkfat	Solids-not-fat	As a percentage of marketings: Milkfat	As a percentage of marketings: Solids-not-fat
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Bil. lb.	Mil. lb.	Mil. lb.	--- Percent ---	
1960/61	154.4	0.3	---	---	837.3	3.3	130.2	804.9	3.0	8.6
1961/62	434.8	191.2	---	---	1,275.4	11.2	420.5	1,286.3	9.5	13.3
1962/63	346.9	134.4	---	---	1,303.0	8.8	331.6	1,294.8	7.5	13.2
1963/64	292.3	120.1	---	---	1,173.6	7.5	282.2	1,168.9	6.4	11.9
1964/65	316.5	134.3	---	---	1,223.0	8.2	306.6	1,221.0	6.9	12.2
1965/66	126.3	21.2	---	---	880.5	2.9	114.8	854.9	2.6	8.7
1966/67	109.2	39.9	---	---	421.0	2.7	103.6	418.4	2.4	4.4
1967/68	246.5	175.1	---	---	633.4	7.0	259.3	665.7	6.2	7.0
1968/69	186.4	66.9	---	54.9	555.9	4.8	179.8	567.1	4.4	6.0
1969/70	182.1	30.6	---	107.5	357.6	4.4	167.4	374.6	4.1	3.9
1970/71	305.4	56.8	---	79.0	452.3	7.2	273.5	469.9	6.6	4.9
1971/72	262.4	87.0	0.6	102.0	463.5	6.6	250.7	494.1	5.9	5.0
1972/73	220.2	20.1	1.5	81.2	259.9	5.0	192.4	274.1	4.5	2.8
1973/74	26.1	4.9	3.4	50.0	41.6	.7	27.7	53.2	.7	.6
1974/75 5/	66.9	94.4	.9	33.7	393.6	2.4	89.9	415.1	2.2	4.3

1/ For earlier years see DS-335, May 1971, page 22. 2/ Delivery basis after domestic unrestricted sales. Includes purchases of butter, cheese, and nonfat dry milk under Section 709 and Section 4(a). 3/ Includes butter equivalent of anhydrous milkfat, and PIK purchases. 4/ Includes PIK certificates issued; beginning January 1972, also includes Title I exports originating from private stocks. 5/ Preliminary.

Government price support purchases of butter already far exceed the total for all of 1974. January-April net removals totaled 51 million pounds, compared with only 3 million pounds during the same period last year. Removals of butter during the 1974/75 marketing year came to about 67 million pounds, over twice as much in the previous year but less than a third of the 1972/73 total. Even though butter sales have been strong and commercial stocks moderate, sharp rises in production have kept the government buying butter at an unabated pace. CCC butter purchases will likely remain large through the flush season.

American cheese purchases were also fairly large early this year. During January-April net removals totaled 45 million pounds. Most of these purchases were in the form of processed cheese, although relatively more natural cheese was purchased in recent months than in 1974. USDA removals came to 94 million pounds in the 1974/75 marketing year, up from 5 million pounds in 1973/74 and the highest in 7 years. Cheese purchases will likely continue at high levels in coming months. The proportion of cheese to butter purchases may rise somewhat due to the changes in support purchase prices.

Sales of nonfat dry milk to the government show no sign of abating. Through April, CCC had purchased about 211 million pounds thus far in 1975, compared with only 11 million pounds (chiefly instantized powder for domestic donation) during the same period last year. The 1974/75 marketing year total of 394 million pounds was the highest in 3 years and far above 1973/74's 42 million pounds. Current expectations of continued increases in production and weakness in commercial sales incicate that CCC purchases will probably continue heavy.

Uncommitted inventories of butter and cheese remain relatively low as domestic donation programs, primarily the school lunch program, continue to absorb most of the increased price support purchases. By the end of April, CCC had uncommitted holdings of 46 million pounds of butter and 7 million pounds of American cheese. A year ago, there were negligible amounts of uncommitted butter and only 1 million pounds of cheese. Uncommitted inventories of nonfat dry milk continue to build because of heavy purchases and reduced domestic donation outlets. These holdings totaled 287 million pounds by the end of April.

Uncommitted CCC stocks

Item	April 30	
	1974	1975
	Million pounds	*Million pounds*
Butter (bulk)	([1])	46
Cheddar cheese	1	7
Nonfat dry milk	0	287

[1] Less than 50,000 pounds.

Commercial Stocks Ease

Commercial stocks of manufactured dairy products totaled 5.0 billion pounds milk equivalent on April 1, down from 5.6 billion pounds on January 1 and 5.3 billion pounds on April 1, 1974. Although stocks dropped considerably during the first quarter, they were still far above the levels of the early 1970's and were the second largest on record for that date. Government stocks were equivalent to about 0.6 billion pounds of milk on April 1, up from 0.2 billion pounds last year but still the second lowest since 1966. Total stocks of manufactured dairy products came to 5.5 billion pounds milk equivalent, up slightly from a year earlier and the highest since 1971.

Commercial stocks of American cheese were drawn down by 32 million pounds during the first quarter but were still a record high for April 1. Commercial holdings on that date stood at 380 million pounds, up about 5 percent from a year earlier. Government stocks of American cheese on April 1 stood at 3 million pounds, the highest since 1969 but still relatively small. Commercial stocks of other-than-American varieties were about 60 million pounds at the start of April, down about a fifth from last year but in line with the levels of previous years.

Commercial butter holdings stood at 31 million pounds on April 1, down sharply from 50 million pounds a year earlier but still slightly above the levels of prior years. Commercial stocks actually rose in January and February before falling back in March. Government butter stocks have risen since January 1 and were up to 26 million pounds on April 1. While these stocks were much higher than a year ago, they were only a quarter of the 1973 level. Total butter stocks of 57 million pounds were down slightly from April 1, 1974, and the lowest on that date since 1966.

Manufacturers' stocks of nonfat dry milk have been declining seasonally, although remaining quite high. On April 1, these stocks totaled 115 million pounds, down about 20 million pounds since the start of 1975 but about double year-earlier levels. Government stocks of nonfat dry milk have been building rapidly, reaching 220 million pounds on April 1, the largest for that date since 1964. Total stocks at 335 million pounds were almost six times as large as a year earlier and the largest since 1963.

Commercial stocks of American cheese and nonfat dry milk likely will remain relatively high during the flush season even though they may fall below year-earlier levels. Manufacturers will probably try to limit seasonal rises in stocks by continued sales to the government. Commercial butter stocks may well stay close to normal seasonal levels.

1974 Promotional Activities Under Federal Milk Orders[1]

A 1971 amendment to the Agricultural Marketing Agreement Act of 1937 provided the statutory authority for producers to develop advertising and promotion programs within the framework of the Federal milk order program. This amendment authorizes "the establishment of research and development projects and advertising (excluding brand advertising), sales promotion, educational, and other programs, designed to improve or promote the domestic marketing and consumption of milk and its products, to be financed by producers in a manner and at a rate specified in the order on all producer milk under the order."

Advertising and promotion programs are currently in effect in 22 Federal order markets. The first program became effective April 1972 under the Middle Atlantic order. The most recent programs, in the Eastern Ohio-Western Pennsylvania and South Texas markets, went into effect in July 1973 (table 15).

Each program is financed through an assessment on all milk that a producer delivers to the market each month. Any producer who does not wish to participate may obtain a refund of the money deducted by submitting a written request to the market administrator. The statute also provides that a refund may be given to a producer from whom deductions for advertising and promotion are required under the authority of a State law.

The assessment rate in each of the 22 markets is currently set at 5 cents per 100 pounds. At this rate and based on 1974 deliveries, about $8.3 million was available for advertising and promotion under the 22 programs. This estimate excludes refunds to producers who elected not to participate in the program and to producers from whom deductions for advertising and promotion were required under the authority of a State law. The expenses incurred by the market administrators in carrying out their duties in connection with the program have also been deducted from the estimated total. These duties consist primarily of computing and distributing refund checks and auditing the use of agency funds.

[1] Prepared by Kay Stang, Dairy Marketing Specialist, AMS. This material updates a special article by Maurice Martin entitled, "Promotional Activites Under Federal Milk Orders," *Dairy Situation*, DS-349, March 1974.

Table 15--Federal milk orders with advertising and promotion programs, January 1, 1975

Order	Program effective 1/
Austin-Waco	January 1973
Central Arkansas	January 1973
Central West Texas	January 1973
Corpus Christi	January 1973
Eastern Ohio-Western Pennsylvania	July 1973
Fort Smith, Arkansas	January 1973
Indiana	October 1972
Kansas City	April 1973
Lubbock-Plainview	January 1973
Memphis	January 1973
Middle Atlantic	April 1972
Nebraska-Western Iowa	April 1973
Neosho Valley	January 1973
North Texas	January 1973
Oklahoma Metropolitan	January 1973
Red River Valley	January 1973
Rio Grande Valley	January 1973
San Antonio	January 1973
South Texas	July 1973
St. Louis-Ozarks	April 1973
Texas Panhandle	January 1973
Wichita	January 1973

1/ Month and year when assessment on marketings began.

An agency composed of producers and producers' cooperative associations is responsible for developing programs and plans for spending funds collected under the program. The membership of the agency is apportioned between cooperative members and nonmembers participating in the program in relation to total participation for the market. The agency is empowered to expend the funds for any of the purposes specified in the statute, and in doing so the agency is permitted to utilize existing outside promotional organizations as long as they meet the standards specified in the particular order provisions. Any organization receiving funds from the agency is audited by the market administrator of the order.

The following tabulation shows how the 22 advertising and promotion agencies budgeted their projected funds during 1974.

Budgeted to:	Amount	Share of total
	Thousand dollars	*Percent*
United Dairy Industry Association:		
Nationwide programs	1,451	17.4
Local market programs	3,378	40.6
Local Dairy Council units	2,686	32.3
Other local market promotion programs	650	7.8
Administrative expenses	161	1.9
Total	8,326	100.0

The orders provide that any producer may request and obtain, quarterly, a refund of the monies deducted. The rate of participation has varied widely among markets (table 16). In 1974, total producer participation on a quarterly basis was between 84 and 86 percent, and for the year, averaged about 85 percent. In each quarter, over 37,000 producers marketed milk under Federal milk orders containing advertising and promotion programs.

FOREIGN TRADE AND DAIRY TRENDS

Dairy Imports Steady

First quarter imports of dairy products were equivalent to 0.3 billion pounds of milk (table 17). This was down substantially from 1.4 billion pounds during the same months of last year, when imports were boosted by 99 million pounds of Cheddar cheese brought in under a temporary increase in the import quota.

Imports have been running at more normal levels since mid-1974 when all the temporary increases in import quotas expired. During the 1974/75 marketing year which ended this March, dairy product imports totaled some 1.8 billion pounds milk equivalent, which is about average under the regular quota system (table 18).

Dairy product imports (milk equivalent)

Month	1973	1974	1975
	Million pounds	*Million pounds*	*Million pounds*
January	158	372	193
February	102	530	69
March	133	537	74
April	119	161	
May	140	152	
June	177	111	
July	264	138	
August	124	149	
September	129	137	
October	238	178	
November	1,576	185	
December	699	282	
Total	3,859	2,932	

Among nonquota items, lactose imports were up substantially from a year ago during the first quarter, while considerably less casein was brought into the country. High sugar prices likely encouraged the stepup in lactose imports. Nonquota cheeses were being imported in smaller quantities early this year; last year imports of some cheeses had shown a sizable shift to nonquota status primarily because price inflation moved f.o.b. prices above the "pricebreak" level. Cheese imported outside quota primarily includes the "pricebreak" Swiss and "other" types, as well as Pecorino, Roquefort, and other specialized varieties. A main factor in the first quarter 1975 drop in cheese imports was the market uncertainty resulting from the resumption of EC export subsidies in February and the threat of U.S. imposition of countervailing duties.

Because of the increase in USDA's purchase price for American cheese on April 1, the "pricebreak" level which controls the quota status of Emmenthaler cheese, Gruyere-process cheese, and the miscellaneous tariff category of "other" cheese was raised to 86 cents per pound f.o.b. country of origin effective April 9, up from 84 cents per pound in effect since last January. Under the provisions of Presidential Proclamation 4138 of June 1972, imports of these cheeses priced below the pricebreak level are subject to quota, while those priced at or above can enter outside of quota. The proclamation specifies that the pricebreak shall be 7 cents above the CCC purchase price for American cheese, rounded to the nearest whole cent, and shall change whenever the CCC purchase price changes.

Agreement Reached on EC Cheese Imports

On April 24, the Treasury Department announced that a final determination had been made in the countervailing duty investigation of cheese exports from the European Community (EC) to the United States. In early February, the EC re-established subsidies on the

Table 16--Producer participation in advertising and promotion programs, Federal milk order markets, by quarters, 1974

Market	Rate of participation 1/			
	First quarter	Second quarter	Third quarter	Fourth quarter
	Percent			
Austin-Waco	95.2	94.2	92.3	91.0
Central Arkansas	83.1	83.9	84.9	84.0
Central West Texas	93.4	94.5	91.7	92.2
Corpus Christi	82.3	81.1	73.1	74.5
Eastern Ohio-Western Pennsylvania	76.4	75.3	76.1	73.7
Fort Smith, Arkansas	85.8	87.1	88.6	86.7
Indiana	88.6	81.5	87.8	86.6
Kansas City	82.9	79.9	81.0	80.6
Lubbock-Plainview	95.4	97.3	94.8	91.5
Memphis	83.6	84.1	83.3	83.9
Middle Atlantic	92.7	92.2	93.1	92.7
Nebraska-Western Iowa	86.9	73.3	86.0	85.8
Neosho Valley	94.4	87.5	100.0	100.0
North Texas	87.7	86.5	85.4	85.6
Oklahoma Metropolitan	89.1	88.9	90.0	88.7
Red River Valley	93.2	92.2	91.8	95.5
Rio Grande Valley	98.4	98.5	96.6	94.7
San Antonio	94.8	95.4	93.7	92.2
South Texas	81.4	80.3	80.1	82.8
St. Louis-Ozarks	90.6	87.6	87.5	87.3
Texas Panhandle	94.8	96.4	95.2	92.5
Wichita	94.5	95.8	95.5	95.2
Average	86.3	84.0	85.6	84.9

1/ Number of producers participating in the program expressed as a percentage of total producers in the market.

Table 17--Dairy products: U.S. imports, quota and non-quota, total 1974, and January-March 1974-75 1/

Product	Calendar year quota	1974 imports	March			Cumulative, January-March		
			1974	1975	1975 as a % of 1974	1974	1975	1975 as a % of 1974
	Thou. lb.	Thou. lb.	Thou. lb.	Thou. lb.	Pct.	Thou. lb.	Thou. lb.	Pct.
Cheese, quota types								
American-Cheddar	10,037.5	107,017	37,883	61	---	94,206	1,840	2
-Other	6,096.6	5,101	---	---	---	737	46	6
Italian-Original loaves	11,500.1	8,982	1,161	268	23	2,721	930	34
-Other	1,494.0	1,185	60	36	60	61	145	238
Edam and Gouda-Natural	9,200.4	(9,371)	(819)	(475)	(58)	(1,437)	(1,715)	(119)
-Processed	3,151.0	( )	( )	( )	( )	( )	( )	( )
Blue Mold	5,017.0	5,015	493	308	62	1,097	824	75
Swiss-Emmenthaler, -84¢	20,420.0	12,565	945	610	65	2,742	1,704	62
-Gruyere-process, -84¢	11,242.0	6,191	721	213	30	1,931	704	36
Other-Over 0.5% fat, -84¢	40,730.0	34,452	1,936	---	---	7,076	334	5
-Under 0.5% fat	8,901.0	7,860	1,141	632	55	2,549	1,867	73
Total	127,789.6	197,739	45,159	2,603	6	114,557	10,109	9
Cheese, non-quota types								
Swiss-Emmenthaler, 84¢ +		51,297	5,535	2,784	50	15,022	7,527	50
-Gruyere-process, 84¢ +		9,113	656	450	69	1,738	1,474	85
Other, 84¢ +		37,698	3,906	1,514	39	10,816	6,607	61
Pecorino		16,465	1,207	1,821	51	5,207	5,990	115
Roquefort		1,439	46	118	257	752	317	42
Other 2/		1,908	138	76	55	338	175	52
Total		117,920	11,488	6,763	59	33,873	22,090	65
Other quota products								
Butter	707.0	450	5	47	940	14	55	393
Butteroil	1,200.0	1,200	---	---	---	1,200	1,200	100
Butterfat mixtures	2,580.0	---	---	---	---	---	2	---
Ice cream	3,377.3	---	---	---	---	---	---	---
Frozen cream	12,540.0	12,406	1,156	---	---	3,132	3,910	125
Nonfat dry milk	1,807.0	115,065	67,607	40	---	76,498	794	1
Dried buttermilk	496.0	137	---	---	---	137	428	312
Evaporated milk	1,312.0	1,214	---	---	---	1,209	414	34
Condensed milk	4,079.0	1,393	208	41	20	325	160	49
Chocolate crumb-Regular	17,000.0	4,748	110	---	---	193	---	---
-Lowfat	4,680.0	---	---	---	---	---	---	---
Animal feed with milk solids	16,300.0	9,009	1,514	417	28	4,446	1,011	23
Non-quota products								
Casein		113,328	12,252	2,226	18	38,891	11,166	29
Lactose		1,310	40	1,851	4,628	396	4,088	1,032
Milk equivalent, fat solids basis, total all products	1,305,620	2,931,969	537,244	73,682	14	1,439,034	335,806	23

1/ Preliminary. 2/ Gjetost, Bryndza, Cammelost and Noekkelost, and Goya.

Table 18—Imports, exports, and shipments of dairy products, 1960-74[1]

Year	Imports		Exports		Shipments[2]	
	Quantity	Percent of production	Quantity	Percent of production	Quantity	Percent of production
	Million pounds	*Percent*	*Million pounds*	*Percent*	*Million pounds*	*Percent*
1960	604	0.5	776	0.6	253	0.2
1961	760	.6	655	.5	277	.2
1962	795	.6	1,287	1.0	431	.3
1963	915	.7	5,036	4.0	457	.4
1964	830	.7	6,872	5.4	582	.5
1965	923	.7	1,836	1.5	522	.4
1966	2,791	2.3	778	.6	430	.4
1967	2,908	2.4	363	.3	461	.4
1968	1,780	1.5	1,185	1.0	586	.5
1969	1,621	1.4	921	.8	498	.4
1970	1,878	1.6	435	.4	548	.5
1971	1,356	1.1	2,458	2.1	568	.5
1972	1,694	1.4	1,469	1.2	677	.6
1973	3,859	3.3	654	.6	638	.6
1974[3]	2,932	2.5	582	.5	576	.5

[1] Milk equivalent, fat solids basis. [2] To U.S. territories. [3] Preliminary.

U.S. dairy imports, quota and non-quota[1]

Year	Total	Quota	Non-quota
	Million pounds	*Million pounds*	*Million pounds*
1960	604	235	369
1961	760	211	549
1962	795	232	563
1963	915	251	664
1964	830	230	600
1965	923	225	698
1966	2,791	292	2,499
1967	2,908	553	2,355
1968	1,780	613	1,167
1969	1,621	979	642
1970	1,878	844	1,034
1971	1,356	776	580
1972	1,694	1,023	671
1973	3,859	3,263	596
1974[2]	2,932	1,955	977

[1] Milk equivalent, fat solids basis. [2] Preliminary.

export of cheese to the United States. The Treasury Department made a preliminary determination published February 14 that a bounty or grant did exist under the countervailing duty statute in the case of these EC cheese export subsidies.

However, after extensive discussions, the EC took actions to modify their system of restitution payments as it applies to dairy exports to the United States. The European Community removed export subsidies on Cheddar, Colby, Monterey, lowfat cheeses used for processing, Emmenthaler, and Gruyere (including that used for processing). Export subsidies were dropped on those cheeses more generally used for processing which directly compete with domestically produced cheese. It is estimated that the restitutions were eliminated on about 40 percent of the cheese normally exported by the EC to the United States. It was felt that these actions largely met the concerns of the domestic U.S. dairy industry and U.S. Government that the EC restitution system was creating a situation of unfair competition for domestic producers.

As a result, the United States waived the use of contervailing duties on imports of certain specialty table cheeses from the EC. These varieties include Blue Mold, Edam, Gouda, and Italian-types, all of which are under U.S. import quotas. Other varieties such as Pecorino and Roquefort are not under import quotas but are imported in relatively small quantities. Also, when the EC reinstituted cheese export subsidies on February 6, the subsidies were reduced by 8 to 56 percent from the old subsidy rates.

Despite the fact a bounty or grant does exist under U.S. Countervailing Duty Law, Section 331 of the Trade Act of 1974 provides for a waiver of countervailing duties if certain statutory criteria continue to be met. Section 331 of the Trade Act provides that the Secretary of the Treasury may, for 4 years following enactment of the Act, waive countervailing duties on an import if he determines that adequate steps have been taken to reduce substantially or eliminate the adverse impact of any bounty or grant; that there is a reasonable prospect for successful multilateral trade negotiations; and that imposition of the wavied duties would be likely to seriously jeopardize those negotiations. The wavier must be revoked if the basis supporting the determination ceases to exist, and the wavier is subject to an override by either House of Congress.

Nonfat Dry Milk Export Availabilities Pick Up

With increased USDA purchases and stocks, larger quantities of nonfat dry milk have been available this

year for export. As a result, 50,000 metric tons (110 million pounds) of CCC-owned nonfat dry milk have been programmed for donation under Title II of the Food for Peace Program in the first half of this year. There will be substantial additional supplies available for programming during the fiscal year starting July 1, 1975. While nonfat dry milk exports this year are likely to be greater than the low levels of the past 2 years, they are not likely to reach the 400-million-pound average levels of the early 1970's. First quarter 1975 nonfat exports totaled 25 million pounds.

Exports of other dairy products continue at almost negligible levels. First quarter exports were equivalent to 0.1 billion pounds of milk, about the same as a year ago. Exports of other-than-American cheese and canned milk were up slightly. Commercial dairy product exports are likely to remain at low levels.

January-March dairy product exports

Product	1974	1975	Change
	Million pounds	*Million pounds*	*Percent*
Butter[1]	0.5	0.3	-40.0
Cheese	1.8	1.9	+5.6
Evaporated milk	10.7	12.0	+12.1
Condensed milk	.4	.8	+100.0
Dry whole milk	8.6	6.9	-19.8
Nonfat dry milk	1.9	25.4	+1,236.8
Milk equivalent[2]	131.3	122.5	-6.7

[1] Includes butter equivalent of butteroil and anhydrous milkfat. [2] Includes some products not shown separately.

An additional 0.1 billion pounds of milk equivalent was shipped to U.S. territories early this year, mostly in the form of cheese.

Canada Ups Dairy Supports Again

Dairy price supports for Canadian farmers were increased for the 1975/76 marketing year which began April 1. This marks the third increase during the past year, the last being on January 24. The Canadian government supports the dairy industry through a purchase program for butter, nonfat dry milk, and Cheddar cheese carried out by the Canadian Dairy Commission plus a direct subsidy to producers of manufacturing milk and cream. The current rise in support prices will come partly from the marketplace and partly from government payments.

Support "offer-to-purchase" prices in Canadian currency were boosted 13 cents for butter to $1.03 per pound and 5 cents for skim milk powder to 64 cents per pound. Cheese purchase prices remain unchanged at 60 cents per pound, but market prices of Cheddar cheese have been well above the support level.

The subsidy payment to producers in 1975/76 was increased 10 cents to $2.66 (Canadian) per 100 pounds of manufacturing milk, and upped 2.9 cents to 76 cents per pound of butterfat in cream. The subsidy will be paid on all industrial milk and cream deliveries qualifying under market sharing quotas.

The boost in purchase prices and subsidy payments is expected to increase the target support price to $11.02 (Canadian) per 100 pounds, up a dollar over the price established last January 24, and compared with $8.50 beginning the 1974/75 marketing year last April 1. In 1974, manufacturing milk prices averaged $6.04 per 100 pounds, up from $4.72 in the previous year.

Canadian consumers will not be affected by the increased price of nonfat dry milk. The consumer subsidy on instantized skim milk powder in consumer-sized packages was raised another 5 cents to 34 cents a pound. However, the higher butter purchase price—up 26 cents per pound or a third in the past year—may take a toll on butter consumption in Canada. Wholesale prices in March were 93 cents per pound before the recent rise in support prices became effective with further increases likely. Per capita butter consumption was 12.9 pounds in 1974, down a tenth in the past 2 years.

Canada reached an agreement with the European Community (EC) in March that will reduce the import levy on aged Canadian Cheddar cheese exported to Great Britain. Under this arrangement, the fixed levy will be about 8½ cents per pound at present exchange rates, compared with about 67 cents under the current EC levy system. In 1963-72, exports of Cheddar cheese to the United Kingdom averaged 28 million pounds annually, 95 percent of total Canadian Cheddar exports, but these exports virtually ceased after Britain joined the European Community.

World Dairy Situation

Milk production in the European Community (EC) was showing slight increases over year-earlier levels in early 1975 but recovery in New Zealand and Australia has been much slower then earlier expected.

The EC dairy herd totaled 25.5 million head in December, down about 0.5 percent from a year earlier. Gains in output per cow have been enough to increase total milk production slightly. The Netherlands is the only EC country showing strong gains in milk production, although most other countries indicate moderate gains. The United Kingdom and Italy have stopped the production declines they experienced last year. Production in the rest of Western Europe was somewhat lower in early 1975. Short feed supplies in Sweden have caused sharp increases in culling and drops in milk production.

A very wet spring and slow pasture and herd recovery have greatly limited recovery in New Zealand's milk production. Production in the 1974/75 season which ends this May 30 is now expected to be up about 3 percent from last season's drought-reduced levels. Australia has also experienced a difficult recovery, and production may be down slightly from 1973/74.

Cheese production continued to expand in most

Table 19.--U.S. Dairy Situation at a Glance

Item	Unit or base period	1973	1974					1975		
		Mar.	Jan.	Feb.	Mar.	Apr.	Year	Jan.	Feb.	Mar.
Production and cow numbers:										
Total milk	Mil. lb.	10,176	9,287	8,765	9,988	10,122	115,416	9,301	8,775	10,023
Milk per cow	Lb.	883	824	779	889	910	10,286	830	783	897
Number of milk cows	Thou.	11,518	11,267	11,249	11,241	11,229	11,221	11,204	11,192	11,176
Prices received by farmers:										
All milk, sold to plants, 100 pounds	Dol.	6.54	8.83	8.92	8.96	8.87	8.31	8.33	8.28	8.13
Percentage of parity 1/	Pct.	77	92	90	91	91	81	73	74	75
Manufacturing grade milk, 100 pounds	Dol.	5.57	8.13	8.17	8.15	7.81	7.15	7.00	7.04	7.01
Parity equivalent	Dol.	7.01	7.96	8.06	8.12	8.30	8.52	9.14	9.22	9.14
Fat content	Pct.	3.65	3.77	3.71	3.65	3.62	3.66	3.78	3.73	3.68
Minnesota-Wisconsin (3.5% fat), 100 pounds	Dol.	5.55	8.10	8.14	8.15	7.73	7.06	6.80	6.85	6.86
Milk eligible for fluid market, 100 pounds	Dol.	6.83	9.07	9.13	9.20	9.19	8.65	8.69	8.64	8.46
Price ratios and dairy ration values:										
Milk-feed	Lb.	1.52	1.48	1.46	1.49	1.56	1.34	1.25	1.33	1.38
Manufacturing grade milk-hog	Lb.	.15	.20	.21	.23	.25	.21	.18	.18	.18
Manufacturing grade milk-beef cattle	Lb.	.13	.18	.19	.20	.20	.20	.25	.26	.25
Value of concentrate ration fed milk cows	Dol.	4.29	6.00	6.12	6.02	5.68	6.27	6.64	6.21	5.90
Farm cash receipts from dairy products	Mil. dol.	---- REVISED MONTHLY DATA NOT AVAILABLE ----					9,399	760	716	792
Production of factory products:										
Creamery butter	Mil. lb.	91.4	80.6	69.0	77.4	88.1	952.1	97.4	90.4	96.3
American cheese, whole milk	Mil. lb.	142.2	153.1	153.6	181.0	177.6	1,832.1	130.6	122.1	144.1
Cheese, other than American	Mil. lb.	88.2	86.9	78.6	89.7	91.5	1,065.8	85.7	81.7	93.9
Canned milk, unskimmed	Mil. lb.	93.4	81.6	77.7	92.4	90.6	987.3	73.9	70.2	75.0
Dry whole milk	Mil. lb.	6.9	5.7	6.1	6.5	10.9	70.6	4.8	3.9	3.4
Frozen products 2/	Mil. gal.	93.5	75.8	80.0	93.4	93.8	1,128.3	79.3	81.4	96.5
Creamed cottage cheese	Mil. lb.	92.2	70.5	68.9	76.5	75.3	861.8	71.8	68.9	77.0
Total whole milk equivalent 3/	Mil. lb.	5,123	4,695	4,517	5,273	5,538	59,955	4,844	4,657	5,289
Nonfat dry milk, human use	Mil. lb.	83.0	58.4	56.0	75.3	95.0	1,005.3	83.5	81.6	95.8
Wholesale prices:										
Butter, 92-score, Chicago, pound	Ct.	64.2	68.5	64.1	68.1	68.2	65.7	66.8	68.1	68.1
Cheese, American (40-pound blocks), f.o.b. Wisconsin assembling points, pound	Ct.	65.2	89.9	91.1	91.2	88.4	79.9	74.8	76.9	77.4
Evaporated milk, case (mid-point of range)	Dol.	9.20	11.12	11.36	11.48	11.73	11.76	11.93	11.93	12.08
Dry whole milk, pound	Ct.	52.5	69.7	69.9	69.9	72.3	65.9	64.5	64.8	63.8
Nonfat dry milk, pound	Ct.	42.4	54.0	57.8	62.2	67.0	58.6	58.8	60.0	60.7
Dairy products and ice cream index (BLS)	1967=100	126.8	145.1	147.6	151.2	154.1	146.4	148.3	148.5	148.6
Retail prices (BLS):										
Milk, fresh, grocery, half-gallon	Ct.	61.9	75.9	77.6	78.9	80.0	78.4	79.3	79.2	78.9
Evaporated milk, 14½-ounce can	Ct.	21.0	25.8	26.8	27.4	28.0	28.8	30.5	30.6	30.6
Cheese, American, processed, sliced, ½-pound package	Ct.	56.9	70.5	73.1	74.3	75.5	72.9	73.1	73.6	73.7
Butter, pound	Ct.	87.7	100.1	97.1	95.4	95.8	94.6	92.1	94.9	95.2
Ice cream, half-gallon	Ct.	87.8	100.3	100.9	101.1	102.9	107.6	121.6	122.3	123.0
Dairy products index	1967=100	121.5	146.3	149.3	151.5	153.7	151.9	155.2	155.6	155.4
All foods index	1967=100	134.5	153.7	157.6	159.1	158.6	161.7	170.9	171.6	171.3
Margarine, colored, pound	Ct.	32.9	45.9	48.2	51.3	53.3	57.4	71.4	70.8	69.7
Stocks, end of month:										
Creamery butter	Mil. lb.	117.2	51.4	50.8	58.1	79.0	---	54.5	61.3	56.9
Cheese, total 4/	Mil. lb.	302.4	366.8	395.5	438.9	489.5	---	482.2	458.1	443.5
Canned milk, unskimmed	Mil. lb.	35.7	54.5	57.5	62.2	76.7	---	68.1	61.8	54.3
Dry whole milk	Mil. lb.	3.4	6.0	7.8	8.3	10.2	---	7.0	7.4	6.0
Total whole milk equivalent 5/	Mil. lb.	5,330	4,637	4,928	5,497	6,477	---	5,872	5,775	5,531
Nonfat dry milk	Mil. lb.	39.2	57.9	51.8	56.7	86.1	---	310.2	316.3	335.4
Commercial disappearance:										
Creamery butter	Mil. lb.	66.6	77.2	61.6	69.6	66.0	920.3	88.5	72.3	91.2
Cheese, American	Mil. lb.	158.6	161.1	163.6	183.1	126.9	1,754.0	127.7	133.2	141.4
Cheese, other than American	Mil. lb.	105.2	106.5	93.9	100.6	110.1	1,263.3	102.7	93.8	107.8
Canned milk, unskimmed	Mil. lb.	113.2	97.2	74.4	86.9	71.3	951.5	83.6	73.9	79.9
Milk in all products	Mil. lb.	9,730	9,740	8,552	9,654	8,980	112,811	9,001	8,333	9,736
Nonfat dry milk	Mil. lb.	78.6	73.0	65.0	135.7	82.9	795.0	57.0	43.7	41.9
USDA net removals:										
Butter	Mil. lb.	27.8	.1	1.9	1.1	---	32.7	6.8	16.8	13.6
Cheddar cheese	Mil. lb.	---	.6	.7	.3	.3	60.3	12.0	9.9	14.0
Nonfat dry milk	Mil. lb.	2.4	2.5	5.5	2.3	.6	265.1	38.8	46.1	53.9
Evaporated milk	Mil. lb.	---	.4	.3	1.0	5.0	28.3	1.9	2.6	2.6
Total whole milk equivalent	Mil. lb.	576	9	47	35	14	1,346	264	450	425
Fluid sales, change from year earlier: 6/										
Whole milk	Pct.	+.9	-8.3	-9.7	-9.5	-8.1	-6.2	-.8	-.2	
Cream and cream mixtures	Pct.	-1.3	+.6	+.5	-.9	+2.5	+2.3	+1.7	+2.0	
Low-fat and skim milk	Pct.	+10.5	+7.3	+5.6	+5.5	+5.5	+6.6	+10.2	+11.9	
Total	Pct.	+2.2	-4.3	-5.7	-5.5	-4.5	-2.7	+2.5	+3.4	

1/ Seasonally adjusted price as percentage of parity price.
2/ Ice cream, ice milk, and sherbet.
3/ Includes manufactured products for which current monthly series are available.
4/ Natural, plus process American cheese held by CCC.
5/ Excludes cream and bulk condensed milk.
6/ Daily average sales in Federal and State Marketing areas.

European countries. Production was strongest in the Netherlands and the United Kingdom. Canadian production was down somewhat. New Zealand has modified its policy which favored butter, and cheese production has been up in the closing months of the season. Australian cheese production was about the same. EC cheese stocks are higher than a year ago, reflecting the production increases. Cheese stocks are mixed in other West European countries, higher in New Zealand, and about the same in Australia.

EC butter production in early 1975 showed strong variation, with Germany and the United Kingdom down materially and the Netherlands up sharply. Production in the rest of Western Europe generally was down. New Zealand and Australian production was about the same as a year earlier. EC butter stocks totaled around 380 million pounds on March 1, down about half from year-earlier levels, while intervention stocks showed a slightly sharper decline. Stocks in other European countries and Canada also dropped. However, Australian and New Zealand butter stocks were above a year ago.

Nonfat dry milk production increased in most of the major producing countries in early 1975. Increased production and declining world trade have resulted in sharp stock buildups in major producing countries. EC support stocks started 1975 at about 850 million pounds, more than double year-earlier levels. Nonfat dry milk holdings were also up substantially in the United States and Oceania. As a result, world prices of nonfat dry milk have dropped sharply in recent months—from about 45 cents a pound last December to around 35 cents currently.

LIST OF TABLES

Table	Title	Page
1	Regional milk production and cow numbers, 1974-75	5
2	Milk used and marketed by farmers, United States, specified years, 1960-74	9
3	Fluid grade milk as percent of all milk sold by farmers to plants and dealers, 1950-74	10
4	Manufacturing milk and milkfat in farm-separated cream: Comparisons of announced support prices and United States average market prices paid to producers, marketing years, 1957-75	12
5	Dairy products under price support programs, USDA purchase price per pound, 1960-75	13
6	Computations of parity equivalents for manufacturing milk, per 100 pounds, marketing years, 1960-75	13
7	Cash receipts from farm marketings of milk and cream, United States, by production regions, 1965-74	16
8	Use of market supply of milk, United States, 1960-74	19
9	Commercial disappearance: Total milk, annual and by quarters, 1973-75	21
10	Commercial disappearance: Selected dairy products, United States, annual 1965-74, by quarters, 1974-75	22
11	USDA domestic donations of dairy products to schools, institutions, and needy persons, 1969-74	23
12	Dairy products: Per capita civilian consumption, selected products, United States, 1955-74	24
13	Milk solids in all dairy products: Production and disposition, 1960-74	25
14	Dairy products removed from the commercial market by programs of the U.S. Department of Agriculture, marketing years, 1960-74	26

—Continued

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250

OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, $300

NOTICE: If you don't want future issues of this ERS publication, check here ☐ and mail this sheet to the address below.

If your address should be changed, write your new address on this sheet and mail it to:

Automated Mailing List Section
Office of Plant and Operations
U.S. Department of Agriculture
Washington, D.C. 20250

DS-355 MAY 1975

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101
FIRST CLASS

U.S.MAIL

1443 GAINMR300A112 18009 0001
M GAINEY
XEROX/UNIVERSITY MICROFILMS
300 N ZEEB RD
ANN ARBOR MI 48106

LIST OF TABLES—Continued

15	Federal milk orders with advertising and promotion programs, January 1, 1975	28
16	Producer participation in advertising and promotion programs, Federal milk order markets, by quarters, 1974	30
17	Dairy products: U.S. imports, quota and non-quota, total 1974, and January-March 1974-75	31
18	Imports, exports, and shipments of dairy products, 1960-74	32
19	U.S. dairy situation at a glance	34